As of 11 a.m. ET **DJIA** 10520.10 ▲ 0.51% **FTSE 100** 5402.41 ▲ 0.56% **Nikkei 225** 10494.71 ▲ 0.40% **Shanghai Comp.** 3141.35 ▲ 0.38% **Hang Seng** 21517.00 ▲ 0.88% **Sensex** 17360.61 ▲ 0.75% **S&P/ASX 200** 4790.85 ▲ 1.09%

Benchmark bombed: Adjusted for inflation, Dow's gains puny
BUSINESS & FINANCE 17

Every Democrat now owns U.S. health-care 'reform'
EDITORIAL & OPINION 11

Australia: A$6.00(Incl GST), Brunei: B$5.00, China: RMB25.00, Hong Kong: HK$18.00, India: Rs25.00, Indonesia: Rp18,000(Incl PPN), Japan: Yen500(Incl JCT), Korea: Won2,500, Malaysia: RM6.00, Pakistan: Rs80.00, Philippines: Peso80.00, Singapore: S$4.00(Incl GST), Sri Lanka: Sirs180(Incl VAT), Taiwan: NT$60.00, Thailand: Baht50.00, Vietnam: US$2.50
KKDN PPS 648/11/2010 (028507) KKDN PP 9315/10/2010 (025811) MICA (P) NO. 048/10/2009 SK. MENPEN R.I. NO: 01/SK/MENPEN/SCJJ/1998 TGL 4 SEPT 1998

THE WALL STREET JOURNAL.

THE WALL STREET JOURNAL.

VOL. XXXIV NO. 84 (India facsimile VOL. 1 NO. 145) * * ASIA Monday, December 28, 2009

DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

U.S. says no signs of a bigger plot

WASHINGTON—The U.S. has no information to lead it to believe that an attempted bombing of a Northwest Airlines flight was part of a larger plot by a terrorist group, a top Obama administration official said.

*By **Sudeep Reddy**, **Evan Perez** and **Jay Solomon** in Washington, **Neal E. Boudette** in Ann Arbor, Mich., and **Andy Pasztor** in Los Angeles*

"Right now we have no indication that it is part of anything larger, but obviously the investigation continues," Homeland Security Secretary Janet Napolitano said on CNN's "State of the Union" program on Sunday.

A 23-year-old Nigerian man, Umar Farouk Abdulmutallab, was charged on Saturday with trying to blow up a Detroit-bound Northwest airliner on Christmas Day. Passengers said the suspect apparently set off a device strapped to his body as the plane was approaching the Detroit airport, causing a small fire that was quickly put out by passengers and crew.

The suspect claimed connections with al Qaeda, officials said, but the formal charges don't mention the terrorist network.

Asked on NBC's "Meet the Press" television show Sunday whether Mr. Abdulmutallab was "a part of Al Qaeda," Ms. Napolitano said, "We don't know....But the FBI now has that matter. It's under investigation and we shall see."

Ms. Napolitano said the security systems in place had worked for U.S. flights. Within 90 minutes of the incident, all 128 flights in the air had been notified to take additional security measures, she said. "Everybody responded quickly and effectively, without panicking and shutting down the airline systems or air travel."

White House Press Secretary Robert Gibbs, appearing on "Meet the Press" on Sunday, said that President Barack Obama, who is vacationing in Hawaii, has ordered a review of procedures for placing individuals on watch lists "to ensure that there is no clog in the bureaucratic plumbing of information that might be gathered somewhere going to the very highest levels of security in our government."

Mr. Gibbs, in a separate appearance on ABC News's "This Week," said the president has also ordered a review of U.S. capabilities for detecting threats "to, quite frankly, answer the very real question about how somebody with something as dangerous as PETN could have gotten onto a plane in Amsterdam." PETN, or pentaerythritol tetranitrate, was the explosive material found on the suspect.

Mr. Gibbs said Mr. Abdulmutallab was added to a govern-

Please turn to page 16

■ Incident highlights concerns about extremists in Nigeria.....9
■ African airport security 9

Reuters

Iranian opposition supporters clash with police in central Tehran Sunday in demonstrations that mark a Shiite Muslim holiday. There were reports that four protesters, including the nephew of Iranian opposition leader Mir Hossein Mousavi, were killed in the fighting.

Iranian protesters clash with police

By Farnaz Fassihi

Thousands of protesters clashed violently with security officials across Tehran Sunday in what appeared to be the worst bout of violence since demonstrations against June elections erupted more than six months ago.

Security forces opened fire on people in the central Tehran neighborhood of College Square around 11:30 a.m., killing at least four protesters and injuring dozens more, according to witnesses at the scene and opposition Web sites.

It was impossible to verify all the accounts, but the Web sites have reported reliably about demonstrations in the past. Since the elections, authorities have banned news coverage of unauthorized gatherings.

The clashes erupted despite a heavy deployment of police and other security forces around the capital. Authorities had braced for large-scale protests marking the culmination Sunday of an important Shiite Muslim commemoration.

Among the slain protesters was the nephew of Mir Hossein Mousavi, the former presidential candidate and leading opposition leader, according to Mr. Mousavi's official Web site. The nephew, Seyed Ali Mousavi, was participating in antigovernment protests in Tehran on Sunday, the site said.

Mr. Mousavi went to the hospital where the body is being kept, the site said.

Tehran's police chief denied his officers fired on the crowd, according to the Associated Press.

"No report of death has been sent to the police," the AP quoted Azizollah Rajabzadeh saying late Sunday, citing the semiofficial ISNA news agency. "No one has been killed. Police did not open fire and the present officers did not carry weapons."

Police had positioned themselves early Sunday morning throughout central Tehran, concentrating around possible rallying points along a major central thoroughfare, Azadi Street, between Imman Hossein and Enqelab Squares, according to opposition Web sites. The street and squares have been sites of big antigovernment demonstrations in the past.

Despite the heavy police presence, large groups of demonstrators congregated in parts of the city, according to opposition Web sites. As the day wore on, clashes appeared to turn more violent, with demonstrators fighting security forces. Reports circulated on opposition Web sites and Internet videos of security officials disobeying orders, including firing on protesters, from their superiors.

In central Tehran, at a demonstration along Taleghani Street, thousands of people chased a group of antiriot po-

Please turn to page 16

China law forces clean-energy use

By Shai Oster

BEIJING—China announced new regulations to increase the use of renewable energy such as wind and hydropower by forcing electricity-grid operators to prioritize their use, in an effort by the world's top greenhouse-gas emitter to reduce its reliance on coal.

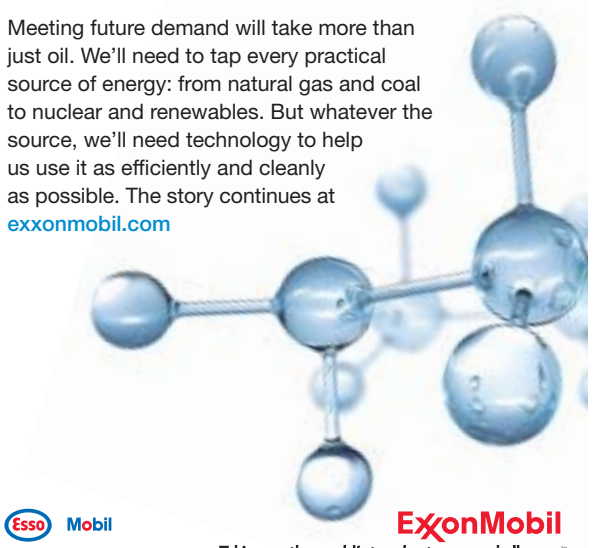
The new measures were passed Saturday by the standing committee of the National People's Congress, China's legislature, as an amendment to the 2006 renewable energy law, the state-run Xinhua news agency said. The amendment will force powerful state-owned electric grid companies, which are responsible for distributing electricity from power plants, to buy all the electricity generated from renewable sources even when it is more expensive and more complicated to use than electricity from coal-fired plants.

The new legislation "contributes to the global fight on climate change," said Wang Zhongying, director of the renewable energy center under

Please turn to page 16

Oil, gas, coal, biofuels, nuclear, wind, solar... to fuel the future we need them all.

Meeting future demand will take more than just oil. We'll need to tap every practical source of energy: from natural gas and coal to nuclear and renewables. But whatever the source, we'll need technology to help us use it as efficiently and cleanly as possible. The story continues at exxonmobil.com



Esso Mobil Brands of ExxonMobil

ExxonMobil Taking on the world's toughest energy challenges.

PAGE TWO

What's News—

* * *

Business & Finance

■ **A Korean-led consortium won** a $20.4 billion contract to build four nuclear reactors in the U.A.E., the first international deal for the Asian nation's nuclear industry. The Korean group beat bidders from Asia, France and the U.S. **17**

■ **China Mobile said** its vice chairman is being investigated by Chinese authorities for an alleged breach of conduct. **19**

■ **Japan's consumer prices fell** in November for the ninth month in a row, a trend that is changing consumer spending and imperiling a nascent recovery. **4**

■ **Wall Street's wish list** for next year's IPOs would include more tech deals, a smattering of retail-store offerings and maybe a social-networking site. **22**

■ **The U.S. Treasury Department** will hit a jittery bond market with a fresh barrage of debt this week, raising the risk of higher interest rates—but only temporarily. **23**

■ **Ping An Insurance has** extended the deadline to complete its proposed $1.7 billion purchase of TPG's stake in Shenzhen Development Bank. **18**

■ **A group of financiers is trying** to put Simmons into play by encouraging Chinese bidders to top an arranged offer for the troubled U.S. mattress maker. **19**

■ **Venezuela's president** threatened to nationalize a local Toyota assembly plant. **20**

■ **Auto-parts suppliers are** making a turnaround in the U.S., despite the car industry's slump. **21**

■ **Japan is still considering** loan guarantees for JAL to avoid disruptions as the airline seeks to revamp its operations. **20**

■ **Bank of Tokyo-Mitsubishi** UFJ's China banking unit received approval to issue yuan-denominated bonds. **24**

Reuters

Ceremonies on Saturday marked the fifth anniversary of the tsunami that killed 230,000 people. Above, people in Khao Lak, Thailand, launch floating paper lanterns into the sky over the Andaman Sea. The tsunami struck a dozen countries around the Indian Ocean, and was sparked by a 9.2-magnitude underwater earthquake under Sumatra, Indonesia.

■ **Ivory Coast cocoa farmers** have hired Dozo warriors to protect their shipments from bandits after cocoa prices soared to their highest levels in 30 years. **23**

■ **Asset-management firm** BlackRock is planning to buy shares in UC Rusal during the Russian aluminum company's IPO. **25**

■ **Cellulosic-ethanol production** is earmarked to overtake corn ethanol over the next decade. But the industry's expected takeoff could be delayed by a year. **27**

■ **Vietnam's prime minister** asked seven state-owned firms to sell all of their foreign-currency deposits to banks to relieve pressure on the country's currency. **25**

* * *

World-Wide

■ **Japan's prime minister** presented a $1.015 trillion budget that he hopes will boost his government as a scandal involving two former aides threatens to drag it down. **4**

■ **Hamas said two members** of the Palestinian militant group were killed in a car-bomb explosion in Lebanon.

■ **A Chinese court sentenced** dissident Liu Xiaobo to 11 years in prison for criticizing the government. **5**

■ **The U.S. Senate's passage** of the health-care bill opens the way for many groups to try to change the overhaul that negotiators from the two houses of Congress will try to nail down in January. **7**

■ **A passenger ferry sank** in the northern Philippines. Six bodies, including three children, were recovered, and at least 22 people were missing Sunday.

■ **A suspected suicide bomber** blew himself up outside a Shiite prayer hall in the main city in the Pakistani part of the disputed Kashmir region, killing at least five people and wounding 80. **6**

■ **Human-rights groups warned** that the Thai government's planned expulsion of 4,000 ethnic Hmong to Laos could turn violent.

ONLINE TODAY

Most read in Asia

1. Routine Turned Into Mayhem on Flight
2. Opinion: Obama, Wow!
3. Bomb Attempt on U.S.-Bound Flight
4. Fannie, Freddie Support Stirs Debate
5. Nigerian Charged in Bomb Attempt

Most emailed in Asia

1. Savvy Bond Man Bets on Rising Inflation
2. The Year in Food
3. The Case Against the New Year
4. Opinion: Robert Morgenthau
5. Chinese Activist Gets 11 Years

Private-equity beat

blogs.wsj.com/privateequity

The experts have picked their top 10 private-equity stories of 2009. Follow the daily countdown to number one.

Continuing coverage

Follow the latest news from the Middle East at WSJ.com/Mideast.

Speakeasy

blogs.wsj.com/speakeasy

'Sherlock Holmes' opens with a bang, lifting this year's Christmas Day openings to a record. Read up on the rest of the lineup and get the latest entertainment news.

Inside

World News: U.S. economic outlook features growth. **8**

Corporate News: Hyundai gains traction, higher U.S. sales. **21**

Heard on the Street: IPOs slide to a record low in Japan. **32**

In Depth: AIG leader meets his match in battle over pay. **14**

THE WALL STREET JOURNAL ASIA
Dow Jones Publishing Company (Asia)
25/F, Central Plaza, 18 Harbour Road, Hong Kong
Tel 852-2573 7121 Fax 852-2834 5291
www.wsj-asia.com

SUBSCRIPTIONS and Address Changes, please telephone our local customer service hotline, Hong Kong/Taiwan: 852-2831 2555; Beijing: 86-10 6581 4090; Shanghai: 86-21 5836 8228; Indonesia: 62-21 344 1101; Japan: 81-3 6269-2760; Korea: 82-2 756 1695; Malaysia: 60-3 2026 4061; Philippines: 63-2 848 5873; Singapore: 65-6415 4000; Thailand: 66-2 652 0871. Or email: service@wsj-asia.com

ADVERTISING SALES worldwide through Dow Jones International. Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176. Or email: wsja.publisher@dowjones.com

Trademarks appearing herein are used under license from Dow Jones & Company. USPS 337-350ISSN 0377-9920

WORLD NEWS

Wen addresses inflation, real estate

By James T. Areddy And Shen Hong

SHANGHAI—Chinese Premier Wen Jiabao discussed growing inflation expectations in his nation, expressing concerns in a rare domestic media interview about fast-rising real estate prices and acknowledging that Beijing may be paying a price for its aggressive response to the global financial crisis.

Speaking to the state-run Xinhua news agency Sunday, Mr. Wen flatly rejected rising foreign criticism of China's exchange-rate policy, saying that stability in the yuan's value helps the global economy and that China won't bow to pressure to let the yuan appreciate. "Keeping the yuan's value basically steady is our contribution to the international community at a time when the world's major currencies have been devalued," Mr. Wen said.

Economists are watching for tightening credit in China, the world's fastest-growing major economy. So far, the government has done little to reverse policies aimed at stimulating growth through bank lending and government spending. But it has taken increased steps to signal excesses won't be tolerated—a point Mr. Wen reinforced.

Speaking in the government's leadership compound in Beijing, Mr. Wen warned that property prices are rising "too quickly" in some cities, a situation demanding "great attention" from the government. He said that tackling these high prices includes cracking down on price gouging and land hoarding, as well as possible interest-rate adjustment. And he acknowledged in the two-hour interview that too much bank lending earlier in the year may have economic costs.

The premier didn't specify how Beijing intends to deflect broader inflation expectations, which he said are reflected in higher global commodity prices and expanding Chinese money supply. But he left the door open to adjust policy "according to changes in situation."

"China is not facing an inflation issue for the moment," Mr. Wen said. "But we should foresee such possibility and maintain consumer prices at a reasonable range."

Mr. Wen's comments weren't a departure from existing government positions, but they are likely to gain attention because Chinese leaders rarely sit for media interviews, even with state outlets like Xinhua.

His comments on the currency come amid renewed foreign complaints about the yuan's value, which critics say Beijing keeps artificially low to make its exports less expensive at the expense of foreign competitors. As China's economic growth has gained momentum in recent months, and exports have strengthened, many economists have said it looks more likely that Beijing will let the yuan start appreciating next year.

Wen Jiabao

Mr. Wen's remarks won't likely dampen that speculation. He didn't explicitly rule out appreciation, instead saying only that no such change would occur because of foreign pressure.

Much of what Mr. Wen said dealt with China's powerful response to the global financial crisis and the impact of the four trillion yuan ($586 billion) package of spending launched in November 2008. He said on balance the program should make the nation "proud."

"We have stabilized economic growth and employment and maintained social stability over the past one-year period, which is a comfort to me," he said.

The premier appeared to acknowledge the response was too strong in some areas, in particular bank lending, a view that appeared to result in slower lending growth in the second half of 2009.

"We will have to pay some price and face some unexpected difficulty in tackling such a big crisis," he said. "It would be good if our bank lending was more balanced, better structured and not on such a large scale," Mr. Wen said. He added the situation "has been improving in the second half of this year."

By official measures the lending hasn't yet fueled inflation, although prices have started to rise. Few economists see credit tightening substantially in the near term. And certainly Mr. Wen's language was mild when compared with past expressions of concern about possible overheating in the economy, for instance in early 2007 when he declared China's economy was "unstable, unbalanced, uncoordinated and unsustainable."

Mr. Wen's comments came after China's National Bureau of Statistics on Friday reported revisions to official data that showed its economy last year was faster-growing, more services-based and closer to overtaking Japan as the world's second-largest economy than previously estimated.

The bureau said that China's 2008 gross domestic product was 31.405 trillion yuan, or around $4.6 trillion, about 4.5% larger than the previous estimate of 30.067 trillion yuan. Real economic growth for the year was revised to 9.6% from 9%. The bureau said the updated numbers better reflect how big services are as a portion of the economy.

—Aaron Back and Terence Poon contributed to this article.

Evolution is hardly just a theory. And while the E-Class has grown more desirable with every passing generation, one thing has remained unchanged – an obsession with treating its drivers to unmatched levels of comfort and safety. Features such as ATTENTION ASSIST, PARKTRONIC and Adaptive Highbeam Assist only take it several notches higher. The new E-Class. Excellence is hereditary. **www.mercedes-benz.com**

WORLD NEWS: ASIA

Scandal, economy hurt Hatoyama

Japanese leader presents a budget topping $1 trillion that he hopes will bolster his young government's popularity

TOKYO—Japanese Prime Minister Yukio Hatoyama has unveiled a $1.015 trillion budget that he hopes will shore up his three-month-old government's popularity as a political-donations scandal concerning two former aides threatens to drag it down.

Tokyo prosecutors indicted the prime minister's former secretary on Thursday on the charge of falsifying Mr. Hatoyama's funding reports beginning in 2000. The aide, Keiji Katsuba, couldn't be reached for comment.

*By **Takashi Nakamichi**, **Alison Tudor** and **Takashi Mochizuki***

European Pressphoto Agency

Japanese Premier Yukio Hatoyama, at his official residence in Tokyo on Friday, unveiled a budget focusing on social spending over public works.

Mr. Hatoyama has denied knowledge of the aide's alleged actions. He apologized and said he intends to stay in office.

"It would be wrong for me to resign now, as that would mean abandoning my responsibility to meet peoples' expectations of me to make new policy," he said Thursday. "I should respect it if calls for resignation rise to an overwhelming extent. But I will do my best not to let that happen by explaining fully."

Prosecutors in Tokyo accused Mr. Katsuba of padding income and listing dead people as donors on political-funding reports.

Mr. Hatoyama's lawyers said Mr. Katsuba did falsify the reports, doing so because he didn't want Mr. Hatoyama—who was a senior official in the Democratic Party of Japan at the time—to look like an unpopular politician who couldn't raise money from a broad number of people.

According to the prime minister's lawyers, Mr. Hatoyama's mother donated 15 million yen ($164,000) a month, from summer 2002 until June 2009, which was registered as coming from people who didn't exist. Mr. Hatoyama's mother was unaware of how the donations were being booked, the lawyers said. Mr. Hatoyama said he would pay any unpaid donation taxes, which could total 600 million yen.

A second former aide, Daisuke Haga, was accused of negligence Thursday for not noticing discrepancies in the funding reports, and ordered by a Tokyo court to pay a 300,000-yen fine. Mr. Haga couldn't be reached for comment.

Some political analysts say the episode adds to pressures on Mr. Hatoyama that include a weakened economy.

"The scandal in itself is not so serious, but it... tarnishes his reputation further and diminishes his power to be an effective prime minister," said Seiji Adachi, senior economist with Deutsche Bank. Mr. Adachi said he sees the potential for Mr. Hatoyama to resign next year if his public support doesn't improve.

Newspaper polls show the Hatoyama government's approval rating has fallen below 50%, from levels above 70% when it first took office in September.

The indictments are particularly painful for Mr. Hatoyama because they run contrary to his image as a reformer, political analysts say. The DPJ's predecessor in Tokyo, the Liberal Democratic Party, was tarred by a series of scandals in recent years that eroded its public support.

That means Mr. Hatoyama faces increased pressure to carry out his domestic agenda. His budget for the fiscal year beginning April 1 offers a slew of programs for the public but could raise worries about the nation's fiscal health.

The government hopes the budget's inclusion of steps such as allowances for families raising children and free public high-school education will help boost its popularity going into an upper-house election next summer. Mr. Hatoyama's DPJ campaigned on similar promises, contributing to its landslide election victory in August.

The budget reflects the DPJ-led government's focus on social spending over the type of big public-works projects that were a mainstay of previous administrations.

"I believe that we have delivered all we can without compromising fiscal discipline," Mr. Hatoyama said Friday. "Our country's economic and employment conditions are very severe. The most important thing for us is to protect the lives of the Japanese citizens."

Tokyo predicts Japan's economy will expand by 1.4% on a price-adjusted basis and 0.4% on a nominal basis.

The budget will require massive debt issuance that could add to concerns about the fiscal health of Japan, which has a debt level at 180% of gross domestic product, the highest among industrialized nations. Tokyo plans to issue 44.303 trillion yen in new government bonds, the highest yet for an initial Japanese budget plan. That was slightly above its goal of keeping the debt float at about 44 trillion yen.

"He can rely on a bedrock of public support to get him past next year's elections, but he has to deliver," said Peter Tasker, strategist at Arcus Research. "I would be surprised if he steps down, but if after another year he has not proved his worth, then it will be a different story."

Japan once again tries to adapt to falling prices

By Alison Tudor And Juro Osawa

TOKYO—Consumer prices in Japan fell in November for the ninth month in a row, the government said, a worsening trend that is shifting consumer spending and imperiling a nascent recovery in the world's second-largest economy.

The effect can be seen in the behavior of consumers like Tokyo housewife Yoshiko Sunabe. Shopping last week at an electronics superstore, Mrs. Sunabe, 64 years old, dithered over which washing machine to buy, bewildered by the numerous special offers. "Ten years ago my washing machine cost over 100,000 yen, now they are so much less.... It's so confusing," said Mrs. Sunabe.

Japan's consumer price index fell 1.7% in November from a year earlier, the government said Friday. The drop suggests Japan faces a lengthening spell of deflation, which began to plague its economy in the latter half of the 1990s and undermined economic growth until around 2006. Deflation—a decline in the general level of prices for goods and services—undermines corporate profits, leading to cutbacks and layoffs, and keeps consumers on the fence waiting for new bargains.

Such effects could bring to an end Japan's two consecutive quarters of economic growth, which has been driven largely by demand from other countries for its electronics, cars and other exports.

Deflating

Tokyo-area prices for selected items, in thousands of yen

Note: ¥100,000 = $1,092
Source: Statistics Bureau, Japan

Prices have dropped broadly. Domestic durables prices have dropped 23% over the past three years; children's clothing has fallen 7.1%; fruit has dropped 8% and beverages have dropped 4%. Food overall has risen 2.6% over the past three years but fallen 0.5% in the past year.

Japanese companies are trying to cope by finding profitable ways to sell to increasingly thrifty consumers.

In an Isetan department store in Tokyo, Masae Tezuka, a 28-year-old assistant designer, purchased black suede high-heeled court shoes that cost 13,650 yen ($149). They were originally 19,000 yen. "I'm very happy to get exactly what I wanted at the reasonable price. This year prices are definitely lower," she said.

Price competition has been particularly intense in fast food, as low-cost businesses feel pressure. A plain hamburger at a Tokyo Wendy's last week cost 290 yen, compared with 100 yen for a hamburger at the McDonald's across the street. Two decades ago, as Japan's asset bubble was near its peak, that McDonald's burger cost 210 yen.

Citing price competition, Japan's Wendy's franchisee, which acquired the business in 2002, said this month it plans to end its agreement on Dec. 31, shutting its 71 outlets, which are mainly in the Tokyo area.

Kazuharu Hattori, a 47-year-old taxi driver who once favored lunchtime bento boxes that cost 500 yen, says he now prefers to buy instant noodles in bulk, costing him little more than 100 yen per meal.

He also buys 100-yen rice-ball snacks at convenience stores. **Seven & I Holdings** Co.'s Seven-Eleven Japan, the nation's biggest convenience chain by locations, has thrown more than 10 rice-ball discount campaigns this year, more than in any year yet.

Rival chains have held similar campaigns. "Whenever I see the cheaper 100-yen rice balls left on the shelf at convenience stores, I grab them all," Mr. Hattori said.

Reuters

Yoshiko Sunabe, shopping at a Tokyo store, was confused by falling prices.

In the Yurakucho area of Tokyo, restaurant owner Daisuke Chiba has cut lunchtime serving staff to two from three, and is offering a free bowl of rice with meals.

His diner, part of a chain called Pepper Lunch, charges 980 yen for a fried steak with bean sprouts. A year ago, he was charging 1,100 yen.

—Makiko Segawa contributed to this article.

Chinese activist Liu gets 11 years

By Loretta Chao

BEIJING—A Chinese court sentenced Liu Xiaobo, China's most prominent dissident, to 11 years in prison for criticizing the government, an unusually long sentence that rights activists say suggests other dissidents will also face harsh punishment.

The Beijing No. 1 Intermediate People's Court announced Friday its ruling that Mr. Liu was guilty of "inciting subversion of state power."

The 53-year-old scholar had spent more than a year in detention before his trial Wednesday, which lasted less than three hours.

Mr. Liu plans to appeal the decision, said one of his lawyers, Ding Xikui. "There were some flaws in the procedures of the trial," he said, but he declined to comment further. Appeals on sensitive political charges almost never succeed in China, where political directives often supersede the written law.

Mr. Liu has pushed for democratic overhauls since the 1980s, and was a participant in the 1989 protests on Tiananmen Square in Beijing. He was detained by authorities last year shortly after he helped write Charter 08, a call for sweeping legal and political change, which hundreds of other scholars also signed.

The letter, which has since attracted thousands of signatures of Chinese citizens, is seen as one of the boldest challenges to Communist Party rule in recent memory.

Mr. Liu's lawyers said he could have faced a 15-year sentence, but rights groups said the 11-year sentence was still harsh.

The verdict and lengthy sentence, and the fact they were delivered on Christmas, was seen as a rebuke to the outcry from foreign rights activists and governments over Mr. Liu's case. President Barack Obama, visiting China last month, pressed Beijing to respect "universal" human rights such as free expression, and U.S. officials have repeatedly raised the Liu case with Chinese officials.

Washington criticized the verdict Friday. "We are deeply concerned by the sentence...Persecution of individuals for the peaceful expression of political views is inconsistent with internationally recognized norms of human rights," U.S. Embassy First Secretary Greg May said at the court Friday morning.

Mr. May repeated his call for China to release Mr. Liu immediately and to "respect the rights of all Chinese citizens to peacefully express their political views."

The sentence was also another strong message to activists in China, including human-rights lawyers who have received warnings by authorities against taking on political cases. Some of these lawyers can't practice law because the government didn't approve their license renewals this year.

It also served as a warning to people like Zhao Lianhai, who was formally arrested on Dec. 17, after a lengthy detention, for organizing families affected by a tainted-milk scandal last year that sickened at least tens of thousands of children.

"The severity of the verdict against [Mr. Liu] suggests that the Chinese government is ready and willing to take an unyieldingly harsh line against human-rights activists in the year ahead," said Phelim Kine, an Asia researcher with New York-based Human Rights Watch.

"The show trial of Liu Xiaobo by the Chinese authorities is a scandal....We call on President Hu Jintao to reverse this injustice and to release Liu and the scores of other Chinese who have been imprisoned for simply speaking their minds," said Kwame Anthony Appiah, president of the PEN American Center. Mr. Liu is a member of PEN.

The brevity of the proceedings led many supporters of Mr. Liu to say the trial was just a formality.

Chinese officials couldn't be reached for comment. The state-run Xinhua news agency reported that a statement from the court said it strictly followed the legal procedures in the case and fully protected Mr. Liu's litigation rights. The court statement said the trial was "open to the public," Xinhua said. However, when foreign diplomats and foreign journalists requested entry, they were turned away.

Reuters

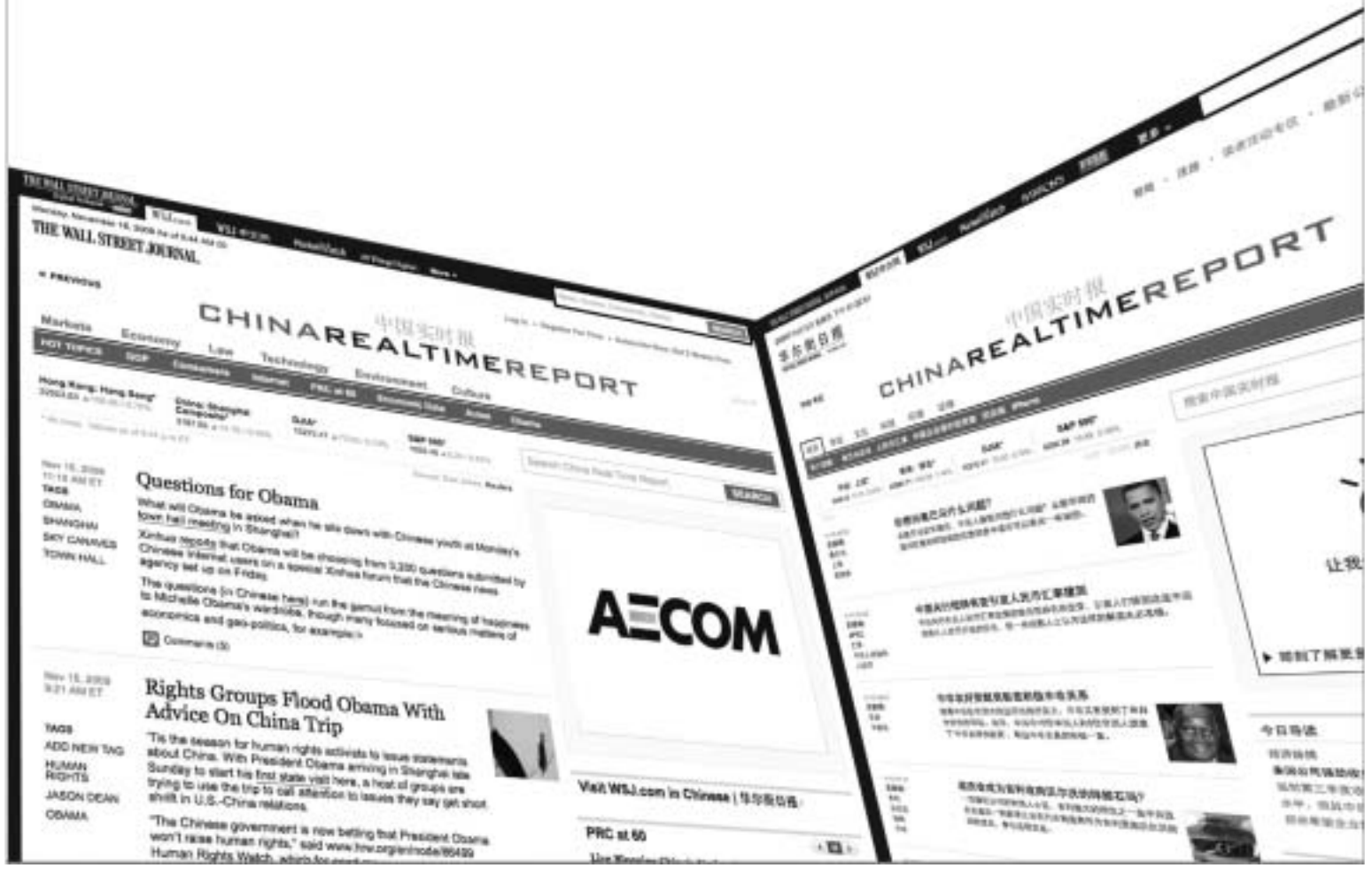
Liu Xia, right, wife of dissident Liu Xiaobo, talks with her husband's defense lawyer, Shang Baojun, in Beijing, on Friday.

中国实时报
CHINAREALTIMEREPORT

Your comprehensive resource for news and analysis on China, covering the hottest topics of the day in business, finance, law, policy, economics and culture.

In English at asia.WSJ.com/chinarealtime
In Chinese at cn.WSJ.com/chinarealtime

Join the conversation today.



WORLD NEWS

Yemen targeted two al Qaeda groups

It is unclear whether U.S.-supported attacks against the terrorists earlier this month did any damage

By Margaret Coker

As the dust settles in Yemen after two large-scale military strikes against al Qaeda-linked groups earlier this month, it is still unclear what damage the U.S.-supported attacks inflicted on the group.

The uncertainty, and allegations of large-scale civilian casualties from the strikes, is raising worry among some analysts that the offensive may bolster global recruitment efforts for Yemen's extremist networks and heighten already-strong radical anti-Americanism there. The attacks came just before the attempted Christmas bombing of a Detroit-bound flight by a Nigerian man, who has told U.S. officials he received his explosive device in Yemen.

The link between the 23-year-old Nigerian, Umar Farouk Abdulmutallab, and Yemeni extremists is still tenuous. A Nigerian government spokeswoman said Sunday that, based on interviews with family members, Mr. Abdulmutallab did travel to Yemen in recent months. But it is still unclear if his links with al Qaeda-affiliated extremists in the country are genuine.

The rugged Arab country, south of Saudi Arabia, has long been beset by strife. The central government now faces a secessionist movement in the south, an insurgency in the north and active al Qaeda cells in remote parts of the country.

Western officials have worried that a stepped-up military offensive against the northern rebellion this year has distracted Yemeni officials from the more-pressing al Qaeda problem.

For years, global members of the militant organization have found refuge in the country—and increasingly they appear to be exporting violence, in particular to neighboring Saudi Arabia and Somalia.

Yemeni officials say their offensive in the north isn't lessening their resolve to battle al Qaeda and other extremists. In a recent interview, Ali Al-Anisi, a senior security aide to Yemen's president and the director of the president's office, said the government was determined to rid Yemen of al Qaeda and was cooperating with U.S. officials in that fight.

"There is coordination and collaboration in the fight against terror," he said.

If Mr. Abdulmutallab is linked definitively to the group in Yemen, it would mark a leap in the scale of attacks attributed to this branch of al Qaeda, and it would raise its profile among the disparate groups of radical Islamists across the globe.

Yemeni officials say they can't yet confirm whether Mr. Abdulmutallab ever visited their country. Al Qaeda in the Arabian Peninsula, as the militant group is known there, hasn't publicly claimed responsibility for the foiled airline attack in the U.S., nor has it acknowledged a relationship with Mr. Abdulmutallab.

Since militants bombed the USS Cole, while the warship was docked at the Yemeni port of Aden in October 2000, Washington has been helping Yemen with its counterterrorism efforts. American successes, however, have been mixed.

> An offensive against Yemen's northern rebellion is distracting the government from its al Qaeda problem.

The White House scored a major tactical victory in November 2002 by killing the former head of al Qaeda in Yemen in an unmanned drone attack.

Yemen re-emerged as an antiterrorism priority for Washington in 2008 after a campaign of low-level attacks on both Yemeni and Western targets that included the bombing of the U.S. Embassy in the capital Sana'a that killed 19 people. This year, the Pentagon has provided nearly $70 million in antiterrorism assistance.

This year, Yemeni-based al Qaeda members have continued to prove new reach, and potency. In August, a militant crossed the border to attempt to assassinate Saudi Arabia's deputy interior minister, Prince Mohammed bin Nayyef al Saud, the kingdom's point man on eradicating militant Islamists.

U.S.-born cleric Sheikh Anwar al Awlaki, who now is believed to reside in Yemen, admitted in a recent interview with Arabic news channel Al Jazeera that he provided the ideological support for Col. Nidal Hassan, the man accused of the Foot Hood, Texas, shooting earlier this year.

"Yemeni foot soldiers are very important to al Qaeda. It is a formidable place and that makes it easier for them to operate there," says Bernard Haykel, a professor of Near Eastern Studies at Princeton University.

Mr. al Awlaki is one of the militants whom Yemeni officials say was targeted in a Dec. 24 strike against what the government says was a meeting of high-ranking al Qaeda members in a remote Yemeni village. That was the second strike within a week against militants.

(A relative of Mr. al Awlaki told the Associated Press on Saturday that he was still alive.)

Yemen's deputy prime minister for defense and security, Rashad al-'Alimi, told parliament last week that the first of the two military operations, which occurred Dec. 17, killed 27 militants and led to the arrest of around two dozen more. The government hasn't confirmed how many people were killed in the second operation, which occurred before dawn on Dec. 24.

Yemeni tribesmen and opposition leaders have protested what some local media reports are claiming were upward of 60 civilian deaths in the strikes. Last week, some Yemeni politicians accused the government of wiping out whole families in the raids. Mr. al-'Alimi told parliamentarians that civilian deaths were regrettable and that an investigation would be mounted.

These protests have fueled already strong anti-American feelings within the country. If it turns out that the military attacks failed to net a high-value target in the raids, militants may be able to capitalize on the domestic discontent to bolster their recruitment and entrench their positions further, analysts say.

"The U.S.-backed strikes de-legitimize the Yemeni government in the eyes of its own population," says Laurent Bonnefoy, a Yemeni researcher at the University of Provence in France.

Americans in Pakistan face increasing questions

By Zahid Hussain

ISLAMABAD—A court Friday gave police 10 more days to interrogate five detained Americans on suspicion they were planning attacks on military installations in Pakistan.

Police officials said the men—all from the Washington, D.C., area—might have targeted a Pakistani airbase.

On Sunday, meanwhile, a suicide bomber killed five people in the capital of Pakistan-controlled Kashmire, the Associated Press said.

In court Friday, the Americans were shackled and under tight security for an appearance before a magistrate in Sargodha in eastern Pakistan. Usman Anwar, the police chief, said investigators told the court they needed more time to question the men and to establish criminal charges.

Mr. Anwar said the men had maps of the Sargodha airbase, as well as information about a nearby water reservoir, which raised suspicion they were planning a terror attack. The men had rented a house near the airbase.

He said the police wanted to determine any connections between the men and Pakistani militant groups. The Americans are suspected of offering to help carry out terrorist attacks.

The five men could be charged under Pakistan's anti-terrorism laws, another police official said. The men have been interrogated by a Pakistani joint investigation team and the U.S. Federal Bureau of Investigation.

A Lahore High Court earlier ordered authorities not to deport them to the U.S. without its consent. Terrorism charges filed in Pakistan courts would hamper extradition efforts by the U.S., and any conviction would result in prison sentences here.

European Pressphoto Agency

Police on Friday escorted detained Americans Ramy Zamzam, left, Ahmad Abdul Minni, center, and Umer Farooq to a court appearance in eastern Pakistan.

The U.S. State Department has said there was no effort to extradite the men because there were no pending U.S. charges.

On Friday, spokesman Andy Laine said the State Department would not comment on the case because the men have not been charged by the Pakistani government. Mr. Laine added, however, that the Obama administration may take a more public stand if charges are filed.

The investigators earlier said the men declared they came to Pakistan for jihad. The Americans—two of Pakistani origin, one of Egyptian origin, one of Ethiopian origin and one of Eritrean origin—have been identified as Ramy Zamzam, Waqar Hussain, Aman Yamar, Ahmad Abdul Minni and Umer Farooq.

A police report seen earlier this month by The Wall Street Journal said the men were devout Muslims and said they wanted to fight against people they accused of committing crimes against Muslims.

The case began last month after families of the men called U.S. authorities and reported them missing. The FBI contacted Pakistani officials who tracked and detained the men.

Pakistani investigators said the men had communicated with contacts in Pakistan through YouTube. They met a contact in Karachi before leaving for the town of Sargodha in the province of Punjab, where they were arrested.

The Americans were in contact with Jaish-e-Mohammed, an outlawed Pakistani militant group loosely connected with al Qaeda and other groups, officials familiar with the investigation said.

The police report said the five men had made plans with a person in Pakistan named "Saifullah" to go to Afghanistan. They traveled to Hyderabad on Dec. 1 and visited a madrassa run by Jaish-e-Mohammed. There, investigators said, they expressed their interest in jihad.

Police said last week they were closing in on "Saifullah," who they allege is a key link.

—Peter Spiegel in Washington contributed to this article.

Hashing out differences

Key items for the Senate and the House to work through when they mesh their bills in January

	House	Senate	What's next
Government-run health-insurance plan	Yes	No	Senate version almost certain to prevail because 'public plan' is a deal-killer for key senators
Abortion	Coverage can't include abortion for those who get federal subsidies	Coverage can include abortion for those with subsidies, but people must pay for the abortion part with their own money in separate check	Obama administration wants looser language but some House Democrats insist on House language
Key taxes	5.4% income surtax on individuals making more than $500,000 and couples making more than $1 million a year	40% excise tax on insurers offering high-value or 'Cadillac' health plans valued at more than $23,000 a year (family) or $8,500 (individual)	Senate version likely to prevail with backing of Obama administration
Employer requirement	Employers with annual payroll above $750,000 must offer coverage to employees or pay fine equal to 8% of payroll. (Smaller employers pay lower fine or none based on size)	Employers with more than 50 employees pay $750 fine per employee if they fail to offer coverage and employees get federal subsidies to buy insurance	Senate language is less punitive for employers and is likely to prevail, though changes possible
Medicare board	No	Yes: independent board would be empowered to recommend changes to trim Medicare spending.	Obama administration pushing strongly for Senate language as cost-control step
Tax on medical-device makers	2.5% tax on device makers begins in 2013	$2 billion-a-year tax begins in 2011	Industry lobbying for House timing

Areas in common for the bills

- Subsidies for lower- and middle-income people to buy coverage
- Expansion of Medicaid
- Creation of 'exchanges' where individuals and small business can comparison-shop for plans
- Mandate that most Americans must carry health insurance or pay a fine
- Cuts in Medicare spending to finance coverage expansion

Congress now faces health haggling

After Senate passing of bill, negotiators need to overcome divisions while doctors and others push for late changes

By Greg Hitt And Janet Adamy

Passage of the health-care bill by the U.S. Senate gives all sides a last opportunity to change the far-reaching overhaul, and it looks to be a messy legislative bazaar.

House and Senate negotiators will meet in January to mesh their health bills after the Senate voted 60-39 Christmas Eve for a bill that aims to deliver on a long-promised Democratic goal of extending insurance coverage to nearly every American.

"Now's the time to get that last word in," said Chip Kahn, president of the Federation of American Hospitals, which represents for-profit hospitals.

Abortion policy, taxes and a proposed government-run health-insurance plan are at the core of the coming struggle. But just about everyone in the U.S. health industry, and many beyond it, have provisions they want to keep, change or scrap.

Doctors want changes to a proposed Medicare panel that could dictate cuts in payments to them. Medical-device makers want to postpone about $20 billion in fees. And hospitals are fighting for wider coverage of the uninsured to ensure they are stuck with fewer unpaid bills.

The legislation would extend insurance coverage to 31 million Americans, the biggest expansion of health coverage since the 1965 creation of Medicare, the health-insurance program for the elderly and disabled.

The Senate's 10-year, $871 billion measure would expand Medicaid, the federal-state health program for the poor, and create tax subsidies to help lower- and middle-income families comply with a mandate to purchase insurance. That mandate would be enforced by a financial penalty of up to $750, or 2% of income, for any person who fails to get coverage.

The Senate bill would leave the existing employer-based health system largely intact. However, large companies would have to pay a penalty of $750 per worker if they don't provide affordable insurance and their workers end up seeking government assistance. New state-based health-insurance exchanges would become the main marketplace for people buying coverage without the help of an employer.

The Congressional Budget Office estimates the legislation would reduce the U.S. budget deficit by $132 billion over the next decade, through a combination of tax increases on the health-care sector and spending cuts, which largely fall on Medicare payments. Republicans call that estimate unrealistic.

President Barack Obama urged lawmakers Christmas Eve to speed a compromise bill to his desk. "We are finally poised to deliver on the promise of real, meaningful health-insurance reform," he said.

The Senate's top Republican, Mitch McConnell of Kentucky, said, "This fight is long from over." He said it is the "clear will of the American people" to stop "this monstrosity."

No Republican voted for the bill. All 58 Democrats and two independents supported it, providing exactly the margin needed to ensure passage.

Armed with 60 votes, Senate Majority Leader Harry Reid (D., Nev.) has plenty of leverage to push House leaders to back his version of the bill, which doesn't include a government-run health-insurance plan. "You have to take what you can get," said House Majority Leader Steny Hoyer (D., Md.).

Differences on abortion may be among the hardest to solve. The House bill would erect high firewalls to ensure no federal money is used to fund the procedure. The Senate includes limits on use of federal funds for abortion but isn't as strict.

The U.S. Conference of Catholic Bishops, one of the most powerful antiabortion groups, said in a letter that the Senate bill "continues to fall short of the House-passed bill."

With negotiations set to begin, the U.S. Chamber of Commerce, the nation's largest business advocacy group, warned the bill would weaken the economy. "It is not too late for Congress to stop this bill from becoming law and start over," said Bruce Josten, the group's top lobbyist.

Most industry groups are angling to shape the bill—not kill it. Medical-device makers want to postpone about $20 billion in fees slated to take effect in 2011 in the Senate bill and 2013 in the House bill. "I'm going to have to find a way to cut costs to minimize the impact on the bottom line," said Bill Hawkins, chief executive of **Medtronic** Inc., which makes cardiac and spinal devices. Mr. Hawkins estimates the tax will cost his firm $200 million a year.

Insurance companies are trying to chip away at the new regulations. One priority is ensuring the final bill includes wider limits on how much insurers can charge older consumers. The House bill would allow them to charge no more than twice as much, while the Senate bill is less restrictive. Because older people are much more likely to have high medical bills, insurers say the 2-to-1 ratio could cost them money or leave young people paying unfairly high premiums.

Doctors are concerned requirements to report data measuring the quality of their treatment will penalize doctors who treat sicker patients. They also are unhappy with the new Medicare panel empowered to recommend payment cuts, which is included in the Senate bill and enjoys the strong support of the Obama administration.

—Ron Winslow contributed to this article.

Both parties to highlight bill in bid for 2010 votes

By Naftali Bendavid

Both U.S. parties will battle to shape public views of the health legislation, looking to gain an edge ahead of the 2010 elections.

Democrats are energized by the likely achievement of a century-old goal. But they also fear consequences for pushing a divisive bill while the economy is struggling. In a recent Wall Street Journal/NBC News poll, 41% of voters thought it was better to pass the bill and 44% preferred leaving the U.S. health-care system alone.

Democrats hope for a boost next year with broadcasts of a historic floor vote during final passage, a White House signing ceremony and President Barack Obama's State of the Union address.

But criticism of the bill has taken a toll on Mr. Obama and his party. "I guarantee you, the people who voted for this bill are going to get an earful when they finally get home," said Minority Leader Mitch McConnell (R., Ky.) just before the Senate's Christmas Eve vote.

Democrats will highlight the bill's expansion of coverage to 31 million more Americans, as well as relief from such insurance company practices as the denial of coverage for preexisting conditions.

"It is very hard to merchandise health care until you have a bill," House Speaker Nancy Pelosi (D., Calif.) told reporters recently. "But when we have a bill and the discussion is...about what is in the bill for people, why this is important to them, then I think that changes."

Republicans are confronting the bill's likely passage and plan to press ahead with their message: the overhaul's high cost and the government's overreach into health care. They are planning to target lawmakers who voted for it.

"It will be one of the key issues in the 2010 and 2012 elections," said Sen. John Cornyn (R., Texas), who coordinates the Republican Senate campaigns.

The Democrats' push to advertise their success with the bill may conflict with other goals. Party leaders want to focus next year on job creation and deficit reduction, two big voter concerns. Promoting the health bill could muddy that message, and Republicans are eager to take advantage.

"We will continue to develop, I think, a theme that points out the fallacy of trying to do these big government expansions and raise taxes at a time when you're trying to get the economy to come out of a recession," said Sen. John Thune (R., S.D.).

Democrats say voters support parts of the health-care bill when they learn about them. Pollster Mark Mellman last week gave Democratic senators a memo saying polls show low approval for the bill because voters don't know what is in it.

"The natural tendency is to pass a bill, breathe a sigh of relief, and move on to the next piece of legislation," Mr. Mellman said. "This is a situation where we just can't afford to have that happen."

Sen. Kent Conrad (D., N.D.) said "What people have been exposed to is hundreds of millions of dollars of television advertising by groups who have a financial interest in maintaining the status quo."

Republicans say voters know what is in the bill and they don't like what they see.

—Jonathan Weisman contributed to this article.

WORLD NEWS

What to watch in the 2010 economy

Hiring is a big variable, as are capital spending by business, strength of housing market and withdrawal of fiscal stimulus

By Sudeep Reddy

THE OUTLOOK

The consensus of U.S. economic forecasters expects 2010 to be a year of modest economic growth, almost 3%, much better than the previous two years. But that's not good enough to bring unemployment—the greatest continuing threat to the economy—close to pre-recession levels.

The consensus is almost always wrong in some respect; the question is in which respects the economy will surprise us. A lot rides on how much hiring employers do. Here are three of the other big variables.

Business investment is primed to rebound. Will it?

The pullback from consumers spooked by an economic downturn spurred an even sharper withdrawal by businesses. Capital spending tumbled during the recession more than it had at any time since the Great Depression. That means it has plenty of room to recover, if businesses can grow more confident.

Business balance sheets overall look promising. Corporate profits are up, the cost of capital is down and productivity is strong.

Firms have plenty of funds to finance investments, from machinery to software. The corporate financing gap, a reflection of how much the funds in house to support their capital expenditures.

"Unlike the household sector, the corporate sector is in excellent fiscal condition," says Robert Barbera, chief economist at Investment Technology Group Inc., a brokerage and financial technology firm. Businesses are "wildly generating more money than they're using to invest."

A sustained rebound in capital expenditures can't occur without a modest improvement in consumer spending. But pent-up demand by businesses, after slashing expenditures sharply in the past year, could prove critical in giving the economy the velocity it needs to recover.

Economists are on counting on some improvement in capital spending. On this front, we could see an upside surprise in 2010.

Will housing heal?

Trouble throughout the housing sector clearly is abating. But homeowners, lenders and builders have a long way to go before regaining confidence.

Sharp home-price declines can lead consumers to spend less and banks, hit by loan losses, to lend less. While the worst of the price drops appear to be over, home values nationwide are expected to show tiny gains—if any—throughout 2010.

The biggest reason: the troubling spike in home foreclosures is nowhere near its end. At the end of the third quarter, 4.5% of loans were in the foreclosure process, up from 3% a year earlier, according to the Mortgage Bankers Association. On top of that, 9.6% of all loans had at least one past-due payment. Until the unemployment rate recovers substantially, improvement will be elusive.

All of that means more homes coming on the market, pushing values lower. "There still is a huge, huge excess of homes," says Jim O'Sullivan, chief economist at MF Global. Due to better home affordability "you're going to eat into that glut over time, but nonetheless there's still a huge excess."

Much of the recent improvement in sales is due to low mortgage rates, spurred by the Federal Reserve's purchase of mortgage securities, and a federal tax credit for home buyers. Both are set to expire by the middle of next year. When they do, sales activity will take a hit.

One area of housing could show some hope. Residential investment fell so sharply during the economic downturn that it has little room to decline further.

Sales of new homes in November stood 74% below the July 2005 peak and are unlikely to reach that level again for many years. But inventories have been whittled down to the lowest level since 1971, so construction is likely to rise and contribute to overall growth in the economy.

After two years of turmoil, forecasters' consensus view is for minor improvement in housing in 2010. For home prices, the risk is clearly to the downside given mounting foreclosures. But home construction, starting from its depressed levels, has a good shot at being a positive surprise for 2010.

Will the economy withstand loss of public-sector support?

The U.S. government put the economy on an artificial heart pump for much of 2009. If the life support comes off as scheduled in 2010, we can expect a few bruising setbacks.

The $787 billion mix of tax cuts and spending deserves credit for helping to spur growth in the economy—and improve confidence—in the second half of this year. Goldman Sachs economists expect fiscal stimulus will continue to boost annualized growth by two percentage points in the first half of 2010. In the second half, the boost is gone.

Outside the labor market, the biggest question mark hanging over the economy is how consumers and businesses respond when the government support fades. Many consumers picked up lower-priced houses and cars in 2009 thanks to government aid. Businesses found construction contracts and cheaper loans thanks to taxpayer support.

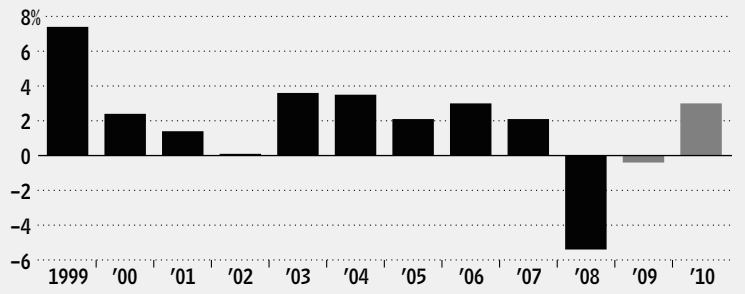
Congress and the White House, in an election year plagued by high unemployment, are planning more programs to boost hiring by businesses, support local governments and increase infrastructure spending.

But they'll face the risk that doing more will create other problems through a rising deficit. "You are getting to the point now where the worries about fiscal sustainability really are intensifying," J.P. Morgan Chase economist Michael Feroli says. "Slowing down the drag does come with a cost."

The story of 2010 could be how the economy fared when the government spigots turned off. The consensus expects the private sector to pick up the baton, but the downside risks to the economy as federal aid fades are substantial.

Better, but not great

Growth in U.S. gross domestic product, measured fourth quarter to fourth quarter



Note: Data for 2009 and 2010 are projections.
Sources: Commerce Department; WSJ survey of forecasters

Help for Fannie, Freddie draws flak

By James R. Hagerty And Jessica Holzer

The Obama administration's decision to cover an unlimited amount of losses at the mortgage-finance giants **Fannie Mae** and **Freddie Mac** over the next three years has stirred controversy.

The U.S. Treasury announced Thursday it was removing the caps that limited the amount of available capital to the companies to $200 billion each.

Unlimited access to bailout funds through 2012 was "necessary for preserving the continued strength and stability of the mortgage market," the Treasury said. Fannie and Freddie purchase or guarantee most U.S. home mortgages and have run up huge losses stemming from the worst wave of defaults since the 1930s.

"The timing of this executive order giving Fannie and Freddie a blank check is no coincidence," said Rep. Spencer Bachus of Alabama, the ranking Republican on the House Financial Services Committee. He said the Christmas Eve announcement was designed "to prevent the general public from taking note."

Treasury officials couldn't be reached for comment Friday.

So far, Treasury has provided $60 billion of capital to Fannie and $51 billion to Freddie. Mahesh Swaminathan, a senior mortgage analyst at Credit Suisse in New York, said he didn't believe Fannie and Freddie would need more than $200 billion apiece from the Treasury. But he and other analysts have said the market would find a larger commitment from the Treasury reassuring.

In exchange for the funding, the Treasury has received preferred stock in the companies paying 10% dividends. The Treasury also has warrants to acquire nearly 80% of the common shares in each firm.

The Treasury removed the cap on the size of available bailout funds by amending agreements it reached with the companies in September 2008, when the government seized control of the agencies under a legal process called conservatorship. The agreement allowed the Treasury to make amendments through the end of the year, without the consent of Congress. Changes made after Dec. 31 would likely involve a struggle with lawmakers over the terms.

Some Republicans are angry the administration is expanding the potential size of the bailout without having a plan for eventually ending the federal government's role in the companies.

The Treasury reiterated administration plans for a "preliminary report" on the government's future role in the mortgage market around the time the federal budget proposal is released in February.

The companies on Thursday disclosed new packages that will pay Fannie Chief Executive Officer Michael Williams and Freddie CEO Charles Haldeman Jr. as much as $6 million a year, including bonuses. The packages were approved by the Treasury and the Federal Housing Finance Agency, or FHFA, which regulates the companies.

The FHFA said compensation for executive officers of the companies in 2009, on average, is down 40% from the pay levels before the conservatorship.

Under the conservatorship, top officers of Fannie and Freddie take their cues from the Treasury and regulators on all major decisions, current and former executives say. The government has made foreclosure-prevention efforts its top priority.

The pay packages for top officers are entirely in cash; company shares have been trading on the New York Stock Exchange at less than $2 apiece, and it isn't clear when the companies will return to profitability or whether common shares will have any value in the long term.

For the CEOs, annual compensation consists of a base salary of $900,000, deferred base salary of $3.1 million and incentive pay of as much as $2 million.

When Mr. Haldeman was hired by Freddie in July, the company set his base pay at $900,000 and said his additional "incentive" pay would depend on a decision by the regulator.

At Fannie, Mr. Williams was chief operating officer until he was promoted in April to CEO. As COO, his base salary was $676,000. He also had annual deferred pay of $2.3 million and a long-term incentive award of as much as $1.5 million.

Under the new packages, Fannie will pay as much as about $3.6 million annually to David M. Johnson, chief financial officer; $2.4 million to Kenneth Bacon, who heads a unit that finances apartment buildings; $2.8 million to David Benson, capital markets chief; $2.2 million to David Hisey, deputy chief financial officer; $3 million to Timothy Mayopoulos, general counsel; and $2.8 million to Kenneth Phelan, chief risk officer.

At Freddie, annual compensation will total as much as $4.5 million for Bruce Witherell, chief operating officer; $3.5 million for Ross Kari, chief financial officer; $2.8 million for Robert Bostrom, general counsel; and $2.7 million for Paul George, head of human resources.

The pay deals also drew fire. With unemployment near 10%, "to be handing out $6 million bonuses to essentially federal employees is unconscionable," said Rep. Jeb Hensarling, a Texas Republican who is a frequent critic of Fannie and Freddie.

He also criticized the administration for approving the compensation without settling on a plan to remove taxpayer supports: "To be doing that with no plan in place is just unconscionable."

The FHFA said that Fannie and Freddie "must attract and retain the talent needed" for their vital role in the mortgage market.

U.S. Congress increases limit on borrowing

By Corey Boles And Martin Vaughan

WASHINGTON—Congress's move to lift the U.S. government's borrowing limit by $290 billion—enough to last about two months—sets the stage for a contentious debate early next year on spending.

The Senate on Thursday approved the increase in a 60-39 vote largely along party lines. The House passed it the previous week.

The additional $290 billion in borrowing ability lifts the total public debt the U.S. government can hold to about $12.4 trillion and will allow the government to keep borrowing through February.

Treasury officials had warned that the current limit of $12.1 trillion was close to being breached. Congressional leaders scrambled to raise the ceiling before the holiday recess.

An increase in the debt ceiling is largely symbolic as it represents money already spent by the U.S. government. In the unlikely scenario where it was ever breached, however, there would be significant consequences for the financial markets. The federal government would be forced to default on its obligations, and could lose its top credit rating, having to pay much higher interest rates as a result.

WORLD NEWS: AIRPLANE TERROR ATTACK

Has al Qaeda broadened its reach?

Bombing attempt on Detroit jet fuels fresh concern about possible extremist Islamic activity in Nigeria, West Africa

By Sarah Childress

The attempted Christmas bombing of a Detroit-bound jet by a Nigerian national raises new concern over possible extremist Islamic activity in Nigeria and West Africa, a corner of the continent where al Qaeda so far hasn't put down significant roots.

U.S. and Nigerian government officials are trying to establish if Umar Farouk Abdulmutallab, 23 years old, had help in Nigeria building the explosive device he tried to detonate, according to a person familiar with the situation.

"This is part of the broader investigation," this person said.

Violent extremist groups on the continent, including some inspired by or affiliated with al Qaeda, have largely been focused on North and East Africa. The details of Mr. Abdulmutallab's movement before the attempted bombing are still unclear, as is whether he had any genuine links with extremist groups, in particular al Qaeda-affiliated organizations in his home country or abroad.

He spent several, recent years studying overseas, including stints in London and, according to Dora Akunyili, Nigeria's information minister, more recently in Dubai and Yemen. One U.S. official has said Mr. Abdulmutallab has told investigators he had been given the explosive device he detonated in Yemen and was connected to al Qaeda there.Ms. Akunyili said based on what the government has learned from Mr. Abdulmutallab's family, he was recruited by extremists in Yemen, and not in Nigeria. She said Nigeria didn't have groups affiliated with al Qaeda.

Still, the alleged bomber's nationality and his origination aboard the flight in Lagos, Nigeria, casts a fresh spotlight on possible extremist activity in Nigeria, where large populations of Muslims, concentrated in the north, have clashed violently with Christians in the south.

Despite the violence along this religious fault line, there has been little evidence so far to suggest al Qaeda or like-minded groups have established a significant presence in Nigeria.

In recent months, though, there have been isolated incidents that have raised alarm bells among Western officials. U.S. officials have long worried West Africa could someday be vulnerable to the sort of terrorist networks that are active in North and East Africa.

Last year, Nigerian police arrested five militants alleged to have plotted attacks on government targets in the country. Three were also accused of having trained in a camp run by al Qaeda in the Magreb, the extremist network affiliated with Osama bin Laden's group and active in North Africa.

Associated Press

The Delta-Northwest Airlines plane being pulled back to the terminal at the Detroit Metropolitan airport in Romulus, Mich., on Saturday.

In July, a local Islamic fundamentalist sect clashed with security forces in northern Nigeria, leaving more than 800 people dead. The group, known as Boko Haram, which translates as "Western education is prohibited," has attracted many poor Nigerians disillusioned with their government and religious leaders.

On a visit to Abuja, the capital, in August, U.S. Secretary of State Hillary Clinton said it was possible that Boko Haram could have al Qaeda ties.

"There is no doubt in our mind that al Qaeda and like-organizations that are part of the syndicate of terror would seek a foothold anywhere they could find one," she said at the time. "And whether this is a homegrown example of fundamentalist extremism, that is up for the Nigerians to determine."

Ms. Akunyili, the Nigerian information minister, said Boko Haram was a local group, with no affiliation with al Qaeda.

Al Qaeda has long established an official presence in North Africa. In 2006, al Qaeda's No. 2 operative, Ayman al-Zawahiri, permitted a militant Algerian group that had pledged its allegiance to al Qaeda to take the name al Qaeda in the Magreb, and operate as an affiliate of the global terrorist organization.

Al Qaeda is also suspected of recently building a strong presence in Somalia, which descended into chaos after the death of President Siad Barre in 1991. For the past year, foreign fighters linked to al Qaeda have been arriving in Somalia from countries such as Pakistan and Yemen to support opposition force Al Shabaab, according to Western and Somali officials.

—Spencer Swartz contributed to this article.

Airport-safety reviews likely to focus on Africa

By Daniel Michaels

African airports could face new scrutiny of their security standards following the attempt to detonate an explosive onboard a **Delta Air Lines** Inc. jetliner as it landed in Detroit en route from Amsterdam. The alleged would-be bomber is a Nigerian citizen and began his trip in Lagos, according to Dutch and U.S. officials.

It remains unclear whether the suspect, identified as Umar Farouk Abdulmutallab, carried explosive materials with him when he left Nigeria aboard a **KLM Royal Dutch Airlines** flight or obtained them in Amsterdam. In any case, he underwent a required screening at Schiphol Airport outside Amsterdam along with 277 other passengers before boarding the Airbus A330, according to the Dutch antiterrorism office.

Nevertheless, security threats to Europe and the U.S. from unstable African countries, including Sudan and Somalia, as well as from instability in other countries, including Nigeria and Kenya, raise questions about the continent's ability to fight air terrorism.

One of the few recent recent hijackings world-wide, in August 2008, was of a Sudanese Boeing 737 on a domestic flight with 87 passengers onboard. The hijackers demanded the plane fly to Paris, but surrendered after a standoff at a remote airfield in Libya. Two other African jetliners were hijacked in 2007.

The issue of African air security is increasingly significant because airlines from Europe and the Middle East are adding flights across the continent, as global interest in African resources has risen over recent years. In Europe, **Air France-KLM** SA, **Deutsche Lufthansa** AG and **British Airways** PLC compete to serve former European colonies. Persian Gulf carriers, including Dubai's Emirates Airline and Qatar Airways, also have expanded service.

Lagos is one of the few African airports that several non-African carriers serve, which prompts additional scrutiny of both security and air safety by foreign authorities.

European carriers flying to sub-Saharan Africa conduct extensive security reviews of the airports they serve, even flying in their own security staff on each flight to conduct a second screening. But such checks are often cursory, even conducted on the tarmac at night under spotlights that provide limited visibility.

The U.S. Transportation Security Administration also works with African airports through its global Foreign Airport Assessment Program and related efforts. U.S. carriers serve only a handful of African airports, including Dakar, Senegal; Abuja, Nigeria; and Johannesburg.

Delta is the only U.S. carrier operating direct services to sub-Saharan Africa, including Lagos and Abuja in Nigeria, South Africa and Senegal. It also has plans to establish a minihub in the Cape Verde islands for further expansion.

Delta has tapped a fast-growing mix of business traffic fueled by the commodity sector, and by leisure traffic driven by large immigrant populations in some U.S. cities.

—Doug Cameron contributed to this article.

Enjoy The Wall Street Journal Asia at these fine hotels...

Holiday Season at Island Shangri-La

Visit www.shangri-la.com/island/christmase-brochure/ to view epicurean delights and festive gifts for Christmas and the New Year.

Reservations: 2820 8372

Island Shangri-La, Pacific Place
Supreme Court Road, Central, Hong Kong

Island Shangri-La HONG KONG

JW MARRIOTT

Pop in to Q88 Wine Bar for Happy Hour 5:00 to 8:00 pm, Mondays to Fridays (except Public Holidays)

Q88

MAIN ST. DELI

I wanna see you at Hong Kong's only authentic New York style deli!

Main St. Deli is your ultimate choice to experience traditional New York favourites in Hong Kong. Deli favourites such as salami, pastrami on rye, hot corned beef and chicken soup with matzoh ball are served in real New York style!

For more information, please contact 2375 1133.

Langham Hotel Hong Kong

Lobster Lunch

Unlimited Boston lobster & sparkling wine
Authentic Italian cuisine
A sinfully delicious dessert buffet
All for HK$468 + 10% per person
Noon to 3 pm every Sunday.

Angelini
Tel: 2733 8750

Kowloon Shangri-La 64 Mody Road, Kowloon

THE WALL STREET JOURNAL. ASIA

Executive Dining features some of the leading hotel restaurants in Asia.
For more information about this program, please contact Mr. Philip Owens at
Tel: 2831-2570 | Fax: 2893-5090,
or visit www.wsj-asia.com to subscribe.

To Participate in the Executive Dining Program, please email to: philip.owens@dowjones.com.

MANAGEMENT

Europe firms brace for departures

Top-performing employees await strong signal that global economy is recovering to jump ship; how to retain them

By Javier Espinoza

LONDON—Earlier this year, Tess Joyce felt stuck in her job. She needed to grow, but her former employer, a major bank headquartered in Edinburgh, wouldn't provide her with the opportunities to develop her talent.

Her manager was very settled in his role and was not effective at passing opportunities to her. So Ms. Joyce, 41 years old, started looking for different options available to her and two and a half months ago secured a job as a public relations manager for **Standard Life Group** in the U.K.

Like Ms. Joyce, top talent across all sectors of the European economy—from bankers to lawyers—are increasingly becoming fed up with roles that they feel don't exploit their skills and are waiting for a strong signal that the global economy is actually recovering to jump ship.

One in four high-performing employees say they want to leave in the next 12 months, according to new survey of 35 companies in Europe published by the Corporate Executive Board (CEB).

The consultancy believes the results highlight a "worrying" developing trend for businesses. While these individuals perform 21% better than colleagues, they are 10% more likely to leave their organizations today than a year ago," the CEB said.

"This is a hidden risk organizations need to deal with now," said Christoffer Ellehuus, head of the research.

"We surveyed 18,000 employees across some of the biggest companies in Europe—like **Unilever**, **Carrefour**, **TNT** and **Holcim**—to understand employees' satisfaction with their current jobs and companies and the impact on employee performance and turnover," Mr. Ellehuus says.

He also said that when the economy does pick up, up to 65% of the high-performing employees who said that they are most likely to leave, could actually do so.

Lua Leggett, a strategy consultant based in London, says the challenge lies in how companies will handle their existing talent and manage to retain it even after the economic upturn.

"This is a volcano about to erupt: many workers have been sitting tight. They have watched how a lot of people have been made redundant or feel some of their former colleagues have been treated unfairly," Ms. Leggett says. "So a lack of trust has been building up between the employer and the work force. As soon as things improve they will be ready to leave."

'This is a volcano about to erupt; many workers have been sitting tight. ... As soon as things improve they will be ready to leave,' a strategy consultant says.

A 30-year-old wealth manager who has been working for a small London-based brokerage firm for the past three years is one such person. He declines to be named for fear of alerting his employer, but says he will be speaking to a lot of recruiters over the next few months and colleagues in the City to find out where the jobs are. But he is in no rush.

"I want to make the ideal move for my career," he says. "I have learned my trade at a small firm and I have very quietly developed and grown my client base. I have been putting a lot of energy and have been meeting people all over the place. Once I move, I will be bringing with me very tangible, financial benefits to the table."

So what do companies need to do to retain employees who are eagerly waiting to take their talent elsewhere?

Engage, experts say. More than ever firms need to engage with top talent, according to Grahame Russell, managing director of consulting at Penna, a human-resources consultancy.

He says that although salaries will always play a role, employees will be looking for a greater sense of leadership and clear direction from management.

"Leaders at organizations need to know the direction their firm is taking and communicate it clearly. Communication messages must come from the top. Regular updates and good use of the intranet are key," Mr. Russell says.

"Under this climate, people have a desire to be trusted and respected and engaging with them plays an enormous role in this," he says.

Mr. Russell even says that rising salaries will only delay the inevitable departure if workers feel resentful of the way their companies have restructured and changed during the recession or feel the employer brand has been damaged.

Chris Hickey of outsourcing specialist **Robert Walters** says companies should also be setting clear career progression paths for employees as well as investing time in mentoring individual workers and providing flexible working arrangements.

"The underlying challenge in retaining talented staff will be the ability of organizations to provide relatively attractive compensation structures, combined with providing the employees with short to medium job satisfaction," Mr. Hickey adds.

Standard Life

Tess Joyce found a job that offered an opportunity for growth.

The Power List

The top business leaders making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

SHELDON ADELSON

Chairman
Las Vegas Sands

Mr. Adelson said the first two phases of the casino company's Macau expansion should be completed by the end of 2011.

MUKESH AMBANI

Chairman
Reliance Industries

The Harvard Business Review named Mr. Ambani No. 5 in its list of the world's best-performing CEOs, as measured by investor returns during their tenure, the highest rank among current Asian leaders. Former Samsung Electronics CEO Yun Jong-Yong was ranked No. 2.

SHINICHIRO ITO

President, Chief Executive
All Nippon Airways

The airline and partners United Airlines and Continental Airlines lodged an application with U.S. regulators to coordinate trans-Pacific services.

LI SHUFU

Chairman
Zhejiang Geely Holding Group

The Chinese auto maker reached financial terms with Ford Motor Co. over its purchase of the U.S. auto maker's Volvo brand.

JOHN PARKER

Executive Vice President,
Asia Pacific & Africa
Ford Motor

Mr. Parker, who is set to retire Friday, said the auto maker sees increasing promise in India despite slim margins because of its potential as an export base.

Photos: Agence France-Presse/Getty Images (Ambani); Associated Press (Adelson); Bloomberg News (Ito; Parker); Reuters (Shufu)

Compiled by Carlos Tejada/ The Wall Street Journal

The Senate Postmortem

In the post-dawn hours on Thursday the Senate passed ObamaCare 60 to 39, in the first vote on Christmas Eve since 1895 and after the longest consecutive session in Congress since World War I. We are thus heading toward the first U.S. entitlement program dragged across the finish line on a straight partisan majority, a bill that even its most fervent supporters admit is "flawed" but better than nothing.

It is far worse than nothing. The bill itself is an unprecedented arrogation of federal power over one-seventh of the economy, and even its closest antecedents, Medicare and Medicaid, passed in 1965 with the support of both parties. Reflecting the political consensus that has always inspired durable social reform in America, those entitlements cleared the Senate with more than half of the GOP caucus voting in favor.

It takes hard partisan work to drive off Olympia Snowe, Susan Collins, Chuck Grassley, Orrin Hatch, John McCain, Bob Bennett, Judd Gregg, Mike Enzi and the Senate's other Republican moderates or deal-makers who earlier this year were prepared to compromise. Some 18 Senate Republicans voted to more than double the size of the children's health insurance program in 2007 over the opposition of President Bush, and Mrs. Snowe and Messrs. Grassley and Hatch and others have long joined with Democrats for healthcare subsidy expansions that most Republicans dislike. The GOP had no choice but to oppose this plan or completely abandon its principles.

Jay Mallin/Bloomberg

Mrs. Snowe in particular genuinely wanted to support reform, and she voted to send the Finance Committee version to the floor in October. Majority Leader Harry Reid promptly tacked hard to the left, trying, among other things, to resurrect the government-run "public option" that was untenable among Democratic moderates and even the White House had long ago left for dead.

The bill Democrats approved on Christmas Eve was drafted "in the shadows, without transparency, just to garner the necessary 60 votes and nothing more," as Mrs. Snowe put it in a statement. A law so sweeping and complex that no one can understand it but that will affect the lives of all Americans was thus rushed to passage with little real debate, and less reflection. The Senate considered only 20 of the more than 450 amendments filed.

Those votes were revealing nonetheless, showing that certain Democrats oppose core parts of ObamaCare even as they voted for the final version. Nebraska's Ben Nelson—now justly famous for a Medicaid payoff in return for his vote—and Virginia's Jim Webb voted for the McCain amendment that would have stripped out cuts totalling more than $400 billion in future Medicare spending to fund "universal" health insurance. Along with Blanche Lincoln (Arkansas) and Evan Bayh (Indiana), the duo also supported changes that would have excluded tax increases on individuals earning under $200,000, as President Obama promised during his campaign. The tax amendment failed, 45-54.

So these Senators were against the heart of the bill before they voted for it, as John Kerry has been known to say.

In remarks last Monday after a crucial late night cloture vote to meet an arbitrary Christmas deadline, Mr. Obama added that "Medicare will be stronger and its solvency extended by nearly a decade." But as the Congressional Budget Office noted in a memo on Wednesday, the claim isn't true except on paper, since money taken out of the accounting gimmick of the "trust fund" to pay for subsidies today can't simultaneously be spent on Medicare benefits tomorrow. Messrs. Bayh, Nelson and Webb voted in favor of an amendment sponsored by Mr. Gregg that would have eliminated this double counting.

These Democratic fence-sitters and Joe Lieberman ended up killing the public option, but in the end they gave Mr. Reid and the White House what they needed. We trust voters in Nebraska, Louisiana, Indiana, Virginia and elsewhere noticed that these votes ultimately ensured the passage of a bill that will increase insurance costs, retard medical innovation and sorely damage the country's fiscal position.

And it may get worse before it becomes law. The left has thrown a faux tantrum over the Senate bill, hoping to leverage changes toward even higher costs and taxes as it now goes to House-Senate conference. Democratic leaders are already saying this won't be the usual conference, with public votes, but will be negotiated by a few barons plus White House chief of staff Rahm Emanuel in a backroom. Whatever changes they make to appease the left will be sprung on everyone else and once again rushed through both houses, a la the Senate bill.

Every Democrat in the Senate cast the deciding vote for this spectacle, which will soon give them ownership of the U.S. health-care system.

Obama, Pakistan and Mullah Omar

No matter how many troops President Obama orders to Afghanistan, victory will also require a surge across the Pakistan border that the Taliban and al Qaeda—but not American GIs—cross easily. The President knows this, but he hasn't made Pakistan's help any easier to obtain by signalling his intention to draw down a mere year after his surge troops arrive in Afghanistan.

Pakistan has slowly expanded its cooperation this year as its public and military have awakened to the threat from their own Islamist militants after a spate of terrorist attacks, including on the military headquarters in Rawalpindi. Long portrayed as noble bearded mountain fighters in Pakistan's press, the Islamists are at last seen as an existential threat to Islamabad and Lahore. And this year the military has pushed the Pakistani Taliban from the Swat Valley and South Waziristan and, in contrast with past offensives, hasn't for now ceded back the ground in a misconceived truce. This is progress.

But so far the generals have refused to take on other Islamists they don't view as a danger and have long cultivated as strategic assets—that is, the Afghan Taliban. This means the Taliban government in exile in Quetta, the capital of Baluchistan province, and Afghan insurgents loyal to the ailing Jalaluddin Haqqani and his son Siraj based in North Waziristan. The so-called Quetta shura is led by deposed Taliban leader and Osama bin Laden ally, Mullah Omar, who fled in 2001 and now directs the fighting in southern Afghanistan from Quetta. The Haqqani network is the largest insurgent group in eastern Afghanistan.

We're told that Pakistani President Asif Ali Zardari, in a private letter to Mr. Obama earlier this month, promised to take the fight to North Waziristan and Baluchistan. Merely to have a Pakistani politician acknowledge the existence of the Quetta shura counts as progress. The Pakistanis are reluctant to arrest their longtime proxies, Haqqani or Omar, but they could at least disrupt their headquarters and make it harder to operate from Pakistan.

As ever, the final decision rests with the Pakistan military led by General Ashfaq Kayani. According to a story in the New York Times, he has resisted the entreaties and told the U.S. that his troops have their hands too full with their own Pakistani Taliban to expand their operations.

The head of the U.S. Central Command, General David Petraeus, and the Chairman of the Joint Chiefs Mike Mullen visited Pakistan earlier this month to nudge some more. Perhaps they used the opportunity to express U.S. frustration about official Pakistani complicity in the deaths of American troops in Afghanistan. Such messages need to be sent, though the best way is in private.

If Pakistan truly has given up on its old double game of claiming to back America while allowing a Taliban sanctuary within its borders, now would be a good time to show it's serious. If not, the U.S. has leverage with Islamabad through foreign aid, as well as various military options. U.S. drone strikes can be expanded, including for the first time to Baluchistan, and special forces might be deployed across the porous border.

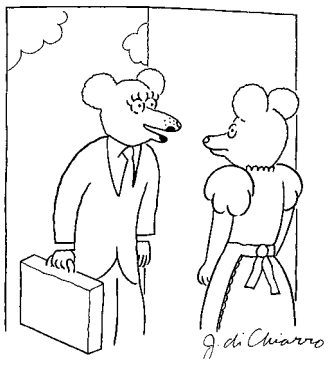
Both carry diplomatic risks. Though drone strikes have killed about two dozen civilians according to one Pakistani government estimate, the country's press loves to exaggerate the toll to embarrass the government and stoke anti-Americanism. The presence of U.S. troops in Pakistan, if publicized, could also undermine a Zardari government that's taken brave risks to help Washington.

This is where Mr. Obama's decision to announce a July 2011 deadline for beginning to withdraw from Afghanistan has been damaging. Various Administration officials have tried to walk back that deadline, but it has played inside Pakistan as further evidence that the Americans will eventually bug out of the region. Pakistan's military and intelligence services have long hedged their bets by supporting Mullah Omar and the Afghan Taliban in case the U.S. leaves and for fear that India will try to fill any power vacuum in Kabul. Now they have another excuse not to change.

The reality is that the gravest threat to Pakistan comes from Islamic radicals, especially if they are able to survive the U.S. and NATO surge. Their next targets will be Islamabad and Rawalpindi as much as Kabul, London or New York. The U.S. and Pakistan share a common enemy, and Mr. Obama will have to assure the Pakistanis that the American commitment won't end with some arbitrary withdrawal deadline made to appease the U.S. antiwar left.

Pepper . . . and Salt

THE WALL STREET JOURNAL



"Guess who got promoted to cosmetics research?"

OPINION

The World's District Attorney

[The Journal Interview with Robert Morgenthau]

BY JAMES FREEMAN

In the criminal justice system, the people of Manhattan have been represented for 35 years by New York County District Attorney Robert Morgenthau. This is his story.

Mr. Morgenthau, who inspired the original D.A. character on the television program "Law and Order," will retire on Thursday at age 90. Much of the barely fictitious drama is set in his office in Manhattan's Criminal Courts Building. Last week, amid half-filled boxes and scattered personal mementos, he sat down to discuss his life's work.

Even though he knows I'm wearing a wire—actually an audio recorder placed on the table between us—America's D.A. speaks candidly, including about his public blowups with New York Mayor Michael Bloomberg. Mr. Morgenthau says this is the first mayor he hasn't gotten along with, and that the relationship went south when his office started investigating the city's role in the death of two of New York's bravest in an August, 2007 fire. Among other mistakes, city inspectors had failed to note that the water had been turned off at the old Deutsche Bank building opposite Ground Zero. The blaze resulted in 33 "mayday" calls from firefighters, and the D.A. is amazed that only two lost their lives.

Mr. Morgenthau soon got a call from a city lawyer telling him that "the mayor wanted me to tell you that he's surprised that you're looking at the Deutsche Bank case." Mr. Morgenthau says he told the mayor's minion, "You tell the mayor that I'm surprised that he's surprised."

Why would the mayor encourage such a call? Because, says Mr. Morgenthau, Mr. Bloomberg "thinks all lawyers work for him" and "doesn't want anybody around who doesn't kiss his ring, or other parts of his body."

The mayor has also recently gone after Mr. Morgenthau's budget, with city officials demanding that he stop sending some of the money forfeited by criminals to the state government, and instead send all of it to the city. The D.A. reports that both governments benefit handsomely from the work of his office—$300 million so far this year, with another $230 million coming soon.

These big criminal forfeitures support his $80 million budget, but they are also the product of Mr. Morgenthau's unique legacy among district attorneys: his national and global reach. Such resources have allowed him to prosecute complex international business cases. Combined with his jurisdiction in the world's financial capital, he has become in a sense the world's district attorney.

Thomas Jefferson would have liked this bastion of local power as part of a federal system, but it is not always celebrated by federal officials. "I'm sure it [annoys] the hell out of them," Mr. Morgenthau observes.

The feeling is mutual. The D.A. says that while he's had to deal with the federal bureaucracy for decades, "it has just gotten worse" and "they ought to burn it down and start all over again. It's extremely worrisome."

For example, he says, "We had a lot of trouble with the Treasury Department" in his recent case against Credit Suisse, in which the bank coughed up $536 million and admitted to aiding Iran and other rogue nations in violating economic sanctions. The feds, as they did in a similar settlement with the British bank Lloyds, wanted only civil penalties.

Mr. Morgenthau would have none of it. He says Credit Suisse had been "stonewalling us" and only struck a deal after he threatened to bring criminal charges to a grand jury. "We would have gotten an indictment," he says.

In 2006, Mr. Morgenthau's office began an investigation into New York's Alavi Foundation, which turned out to be an Iranian government front. Money from the foundation "was being used to pay Iranian agents around the world," he says. Last month the U.S. government seized $500 million of the foundation's assets, including a Fifth Avenue office tower.

Mr. Morgenthau lacked the statute to bring legal action so he referred the Alavi inquiry to the FBI, while continuing to track a larger financial web. Individuals associated with Alavi had received money from Iran's government-controlled Bank Melli, which has been sanctioned by the U.S. government, the United Nations and the European Union for its support of the regime's nuclear and missile programs. The D.A.'s investigators found a money trail leading from Melli and other Iranian state-controlled banks, through legitimate banks in London and other European cities and into correspondent banks in the United States.

Credit Suisse, Lloyds and "eight other banks that we know about," according to Mr. Morgenthau, were involved in "stripping." This means disguising that Iran is the origin of transactions routed through American banks.

What are the Iranians buying with their ill-gotten American currency? Mr. Morgenthau obtained a shopping list that includes tantalum, a hard metal used in roadside bombs. But the Iranians are thinking bigger. He reports that he showed the shopping list to an executive at Raytheon, which manufactures missiles for the American military.

The Iranian finance investigation led him to evidence showing the destination of a North Korean cargo plane that was seized in Bangkok by Thai police on Dec. 12. Despite Iranian denials, Mr. Morgenthau says the massive weapons shipment was bound for Tehran.

After years of prosecuting world-wide financial cases, including bringing down the criminal enterprise known as the Bank of Credit and Commerce International, Mr. Morgenthau has assembled a formidable intelligence network. "When people trust you, you get a lot of information from all around the world."

Mr. Morgenthau says "It takes a long time to build the kind of network we have" and adds that he expects his successor, Cyrus Vance Jr., will continue to focus on international financial crimes and Iranian finance in particular. That's because these cases are effective.

Regarding Iran, the lifelong Democrat scores both parties in Washington for ignoring the gathering threat. His own concern flows in part from his experience

Zina Saunders

as a newly minted ensign aboard a destroyer the day Pearl Harbor was attacked. Mr. Morgenthau later saw action in both the Atlantic and Pacific theaters, and was fortunate to survive one sinking when a convoy ship violated standing orders and picked him and fellow crew members out of the water. He doesn't want his country to be caught unprepared again.

* * *

"Everyone has dropped the ball on [Iran sanctions]. The president is smoking pot or something if he thinks that being nice to these guys is going to get him anywhere," Mr. Morgenthau says. He says economic sanctions can "have significant impact" because most of Iran's enablers are not terrorists, just people "trying to make a buck. . . . They don't enjoy being the focus of an investigation." The D.A. argues that more aggressive federal enforcement of existing sanctions, plus a new effort to restrict Iran's gasoline imports, could make life very difficult for a regime that is under increasing pressure from its own citizens.

"The president has to say this is a priority. We have sanctions and we ought to make them work," he says. "The boss," as he's known to Manhattan prosecutors, is particularly concerned about Iran's progress in missile development and its budding relationship with Venezuelan dictator Hugo Chávez. While the two countries have opened banks in each other's countries, the D.A. reports that they nonetheless are transacting business in dollars through New York.

Mr. Morgenthau says his habit is to "never look back," but he obliges when pressed to revisit some of his most famous wins and losses. Boss of mob bosses John Gotti evaded the long arm of Mr. Morgenthau for years but was ultimately convicted of murder by the feds. "The [FBI] didn't turn over key evidence they had to us," he says.

Asked whether he should have indicted board members along with Tyco Corporation CEO Dennis Kozlowski and CFO Mark Swartz, Mr. Morgenthau responds, "probably."

Of his recent prosecution of Anthony Marshall, convicted of stealing from his mother Brooke Astor, Mr. Morgenthau makes clear that the case had a significance beyond exposing the lifestyles of the rich and famous. He notes a disturbing trend of children ripping off their parents and grandparents. The case, he says, "sent a message all over the country: You can't steal from your elders."

Mr. Morgenthau notes that his office was the first in the country to "indict the footprint," which means securing indictments before finding a defendant. This has the practical effect of removing the statute of limitations.

Mr. Morgenthau is proudest of his victories in cases widely considered unwinnable. He notes that his office was the first in the country to successfully prosecute a murder case with no body and no witness. In 2000 he won convictions against Sante and Kenneth Kimes. The mother and son killed Irene Silverman when they believed she had caught on to their plot to swindle her out of her Upper East Side mansion. The son later admitted to disposing of the body in a dumpster.

Overall, it's hard to argue with the results. While he is quick to credit the police and other city officials, Mr. Morgenthau notes that when he became district attorney in 1975, Manhattan was suffering almost 650 murders annually. Last year, there were 62. From more than 39% of the city's murders, Manhattan's share has fallen to just 12%.

Manhattan's renaissance has allowed many New Yorkers to consider not just survival, but success, and more specifically how to keep more of what they earn from the tax collector. Mr. Morgenthau has aggressively pursued those who seek to preserve their capital in other jurisdictions, but that doesn't mean he favors the current system.

"I think taxes in New York City and State are much too high," he says. "But you're never going to see them reduced unless everybody pays what they're required to pay under the law."

Mr. Morgenthau's effort to go after citizens who park their money in tax havens has led to more frustration with the Mayor. The D.A. says Mr. Bloomberg "has never been any help. I've talked to him three times about it and each time the conversation is almost identical. I tell him how much money is offshore and in the underground economy and he always says, 'I'm paying my taxes.' And I always say, 'Mike, no one is suggesting you don't, but there are a lot of other people who don't.' And then he says, 'I'm glad I'm not a lawyer.'"

Before exiting the public stage, Mr. Morgenthau also wants to set straight the record on one of the most controversial episodes in the history of the United States Supreme Court. Justice Abe Fortas was denied a Senate vote in 1968 when President Lyndon Johnson sought to elevate him to chief justice to replace the retiring Earl Warren.

The following year, Fortas resigned his seat as an associate justice after it was revealed that he received money from the foundation of Louis Wolfson, who had been convicted of crimes related to a securities case.

But Mr. Morgenthau already knew about the payments from Wolfson. As a U.S. attorney appointed by John F. Kennedy, he had been investigating Wolfson for years, against the wishes of Wolfson's friends in the Kennedy and Johnson administrations. (To be fair, politicians seeking contributions were not the only defenders of Wolfson. More recently, Henry Manne has written in these pages that Wolfson invented the modern hostile tender offer, enhancing the power of shareholders and making the U.S. economy more competitive.)

* * *

In any case, Mr. Morgenthau believes that Attorney General Nicholas Katzenbach was fired by LBJ in 1966 because he refused to block Mr. Morgenthau's indictment and subsequent conviction of Wolfson. At the time, Mr. Katzenbach said disputes with FBI Director J. Edgar Hoover caused his resignation.

Knowing of the $20,000 per year "for life" that Wolfson's foundation was sending to Fortas, Mr. Morgenthau contacted Mr. Katzenbach's successor Ramsey Clark, told him of the deal, and suggested that he tell Chief Justice Earl Warren to consider delaying his retirement. Mr. Morgenthau says Mr. Clark never informed Warren. Wolfson had powerful friends.

Just like viewers at the end of a "Law and Order" episode, observers of the legendary D.A. are treated to one more twist in the tale.

Mr. Freeman is assistant editor of the Journal's editorial page.

THE WALL STREET JOURNAL. ASIA

Almar Latour, *Editor in Chief, Asia*
Peter Stein, *Associate Editor*
Dean Napolitano, *Senior Editor*
Mary E. Kissel, *Editorial Page Editor*
Philip Owens, *Circulation Director*
Shawn Hiltz, *Marketing Director*
Alice Chai, *Research Director*
Connie Cheng, *Operations Director*
Simon Wan, *IT Director*
Olivier Legrand, *General Manager Digital*
Christine Brendle, *Publisher*
Published since 1889 by
DOW JONES AND COMPANY

© 2009 Dow Jones & Company. All Rights Reserved

DOWJONES
A NEWS CORPORATION COMPANY

OPINION

‘Democracy Is the Greatest Revenge’

By Asif Ali Zardari

Two years ago the world stopped for me and for my children. Pakistan was shaken to its core and all but came apart. Women everywhere lost one of their greatest symbols of equality. And Islam, our great religion, lost its modern face.

On Dec. 27, 2007, my wife, Benazir Bhutto, was assassinated. She was the bravest person I have ever known, and the second anniversary of her death is an appropriate occasion to reflect upon what she achieved for our country, and how her legacy must be preserved against those who would return Pakistan to darkness.

AP Photo/K.M. Chaudary

Bhutto supporters in Lahore, Pakistan mark the two-year anniversary of her assassination yesterday.

Twice elected prime minister of Pakistan, Benazir had an immense impact. She stood up and defeated the forces of military dictatorship. She freed all political prisoners. She ended press censorship. She legalized trade and student unions, built 46,000 primary and secondary schools and appointed the first female judges in our history. And she showed the women of Pakistan and the world that they must accept no limits on their ability and opportunity to learn, to grow and to lead in modern society.

The target of two assassination attempts by Osama bin Laden in the 1990s, Benazir repeatedly warned a skeptical world of the impending danger from extremists and militants. In her last campaign—even on the very day of her death, by the hands of such extremists—she mobilized and rallied the people of Pakistan against the terrorist threat.

Benazir’s murderers didn’t kill her dreams. On the day we buried her, even as her supporters cried out for revenge, we reminded our party and country that, in her own words, “democracy is the greatest revenge.” And then we led the Pakistan People’s Party to victory in the elections.

Since then, fulfilling the electoral manifesto she wrote, the nation’s economy, which had been left in shambles by the priorities of a decade of dictatorship, has been stabilized and revitalized. Food shortages have ended. Power shortages have diminished. We have adopted a national curriculum for the first time in history to challenge the spread of political *madrassas*. Constitutional reforms are being finalized which will rid Pakistan of the undemocratic provisions inserted by military dictators that expanded the power of the presidency at the expense of parliament.

Benazir Bhutto died confronting the forces of tyranny and terrorism, and Pakistan remains committed to the struggle that she led. We have reclaimed Swat and Malakand from the militants and rehabilitated the displaced persons back into their homes. We have taken the fight against militants to other areas, including South Waziristan in our Federally Administered Tribal Areas, and to our major cities, and we will win this war against them.

We will not let militants violently impose their political agenda on the people. Political ownership of the war against terrorism rests with the people of Pakistan for the first time. We are in the front trenches of this war while the community of nations stands with us.

Much has been accomplished, but it has not been easy for my nation, for my party or for my family. The forces in Pakistan that have resisted change, modernity and democracy for 30 years still attempt to derail progress.

Some of these forces who were allied with dictatorship in the past now hope that the judicial process can undo the will of a democratic electorate and destabilize the country. A litany of ancient charges of corruption—the modus operandi of past plots against every democratically elected government in Pakistan—now threatens to undermine the legitimacy of our government.

Those that will not stand with us against terrorism stand against us in the media. I have spent almost 12 years in prison on trumped up charges never proven, even by a court system manipulated by dictators and despots. But like Benazir, I refuse to be intimidated.

So let the legal process move forward. Those of us who have fought for democracy against dictatorship for decades do not fear justice; we embrace it.

My ministers, my party, leaders of other parties and thousands of civil servants across our nation will defend themselves in the courts if necessary. Democracy has come a long way in Pakistan, and the People’s Party has always been at the vanguard of the fight. In 1979 Zulfikar Ali Bhutto, Benazir’s father and the elected prime minister of Pakistan was executed under a smokescreen that history now characterizes as a judicial murder. Two decades later Benazir was indicted on fabricated charges on the orders of her political enemies then in power. When tape recordings of these government officials ordering the courts to fabricate evidence and false witness against Benazir were made public, these trumped-up charges were dismissed.

Those of us who have been victims of dictatorship in the past believe in the rule of law and have faith in the judicial process. We believe, in the words of my wife, that “time, justice and the forces of history are on our side.”

We have not come this far in our democratic struggle to fail. In this struggle, I am inspired by my father-in-law, Zulfiqar Ali Bhutto, who said that he “would rather die at the hands of dictators than be killed by history.”

Mr. Zardari is president of Pakistan.

Let the Kim Regime Collapse

By Daniel Blumenthal And Leslie Forgach

Soon after President Barack Obama’s inauguration in January, North Korean dictator Kim Jong Il welcomed him in typical fashion by testing another nuclear weapon. Mr. Obama reacted firmly by suspending the six-party disarmament talks and imposing tough sanctions. But a year later the Obama administration is poised to begin the talks anew.

It’s a better alternative than propping up a nuclear-armed dictatorship on the Korean peninsula.

That would be a mistake. As American diplomats coax North Korea to return to the negotiating table, a far more significant drama is unfolding: serious instability within the hermit kingdom. This time the Kim regime may really fall, and the Obama administration would be wise to get out of its way.

Kim appears to have finally crossed a line with his own people when he let his son and chosen successor, Kim Jong Un, announce a currency revaluation last month. The Kims were threatened by the growth of a small, independent merchant class and decided to destroy it through a surprise currency revaluation. As many North Koreans lost what little wealth they had and the Kims all but destroyed the small private sector, the public responded angrily. There have been reports of protests and riots, with many North Koreans publicly burning their newly worthless currency—a rare sign of political dissent for North Korea’s long-suffering populace. The regime was so concerned that it sent its security minister to China to ensure that Beijing prohibit a mass exodus of North Koreans across its border.

Riots by themselves are not proof positive of internal instability, but in an even more uncommon development, the Kims were forced to ease up a bit: North Koreans were allowed to exchange more of the old currency for new won notes. The partial reversal may have tamped down public unrest, but North Korea’s beleaguered population demonstrated that they still have some fight left in them.

With protests that forced a policy change, a sanctions regime that has so far deprived Kim of at least $18 million, and uncertainty about the Dear Leader’s succession plan, it may well be that this time around Kim is truly running out of money and possibly control.

Rather than bail him out, Washington should let Kim fall. It’s the best chance the U.S. has of achieving its twofold objectives: denuclearization in North Korea and the eventual unification of the peninsula. After all, the Kim clique has made it clear after decades of negotiations that no amount of aid will suffice to induce them to end their nuclear program. The relatively conciliatory response to Special Envoy Stephen Bosworth’s mission earlier this month—the North Koreans declared that “differences” have been “narrowed”—was a classic North Korean negotiating ploy, not an eleventh-hour acceptance of a nuclear-free world.

Kim Jong Il

Some might argue that a desperate Kim may really make a deal this time—and Pyongyang certainly needs the bailout it is sure to receive during a new round of talks. But history suggests a dying regime is far less likely to make lasting concessions. Successful disarmament has occurred in places like the Ukraine and South Africa only after a new regime one looking for assistance and legitimacy, came to power.

The question is which course is riskier: Letting Kim fall while planning for Korean unification, or attempting to prop up a dangerous regime with a growing arsenal of nuclear weapons? If Washington and its allies plan well, the former has the better chance of succeeding.

South Korea and the U.S. have been upgrading their contingency planning for a collapsed North Korea for years, but there’s more to be done. Better coordination with Tokyo is key, as Japan has serious concerns about the future of the Korean peninsula. Tokyo does not want a Chinese puppet state to emerge in North Korea.

All three allies should agree upon short- and long-term goals. In the short term, the allies must rid the peninsula of weapons of mass destruction, secure “loose nukes” and deal with the humanitarian and refugee crisis that is certain to unfold. In the long term, the allies must craft a roadmap for unification under Seoul’s rule.

Allowing Kim to fall is admittedly not without its risks, and the real wild card is China. Beijing has been very secretive about its own Korean doomsday planning. The Chinese have let leak that they would send in the People’s Liberation Army to “stabilize” North Korea. Premier Wen Jiabao and Minister of Defense Liang Guanglie have both made recent visits to Pyongyang. Mr. Liang made exuberant comments pledging everlasting Sino-North Korean unity, but other than that very little is known about these trips.

Unilateral action by China in North Korea would be highly destabilizing. All of Asia’s powers have vital interests on the peninsula, and all will act to secure to them. But a great power struggle in North Korea would be a disaster.

Rather than count on Beijing to behave as a “responsible stakeholder,” the U.S. should elevate to the top of its China “to do” list the sharing of its contingency plans and its knowledge of pretenders to the North Korean throne. If the U.S. does not succeed in this endeavor, it must make clear to Beijing allied objectives for stabilizing North Korea. Beijing’s choice should be made stark: Cooperate or sit aside as the allies plan for unification on their own terms. If the Obama team’s recent outreach to China is to have any serious payoffs, then these talks with Beijing need to start now.

The last thing President Obama wants is another military crisis, especially in a part of the world that has been relatively stable. Closer allied planning and a more forceful attempt to secure Beijing‘s cooperation is a trade-off—short-term diplomatic discomfort for long-term peace and stability. The choice should be obvious.

Mr. Blumenthal is a resident fellow and Ms. Forgach is a research assistant at the American Enterprise Institute in Washington.

Comments? The Journal welcomes readers’ responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

IN DEPTH

In battle with U.S. over pay, AIG chief meets his match

Robert Benmosche has styled himself as a bulwark against government intrusion into the corner office

AT A RECEPTION shortly after he became chief executive officer of American International Group Inc., Robert Benmosche told a group of AIG executives that a part of his anatomy was bigger than the government's.

By ***Serena Ng,***
Deborah Solomon
and ***Joann S. Lublin***

His five-month tenure at the insurer is putting his swagger to the test.

Mr. Benmosche, more than any other leader of a bailed-out American company, has styled himself as a bulwark against government intrusion into the corner office. Although he sees his main mission as repaying roughly $87 billion in taxpayer money pumped into AIG, he doesn't want the government to tell him how to do his job.

The 65-year-old insurance-industry veteran has criticized regulators, threatened to quit over government pay constraints and used profanity in company meetings. "With me, what you see is what you get," Mr. Benmosche says he has told government officials, AIG board members and employees.

An examination of Mr. Benmosche's conflicts with his federal overseers reveals how the most explosive aspect of the government's intervention in the private sector—its attempt to slash pay at the financial firms it bailed out—is playing out inside one of the world's largest insurers.

AIG became a lightning rod for the issue well before Mr. Benmosche arrived. Federal officials rescued AIG in September 2008 to prevent what they feared would be a systemic meltdown. The mess was largely the doing of AIG's financial-products unit, which took huge risks in pursuit of big profits. Yet after the bailout, executives in that unit collected large payments to remain at AIG to clean up the wreckage. Moreover, some of the banks whose mortgage bets with AIG were paid off by the bailout are now expected to pay big bonuses of their own.

Amid public outrage, the Obama administration appointed a federal pay czar to oversee compensation at the companies that got the biggest bailouts. Other aid recipients, from Goldman Sachs Group Inc. to Bank of America Corp., scrambled to pay back bailout money, freeing them from pay constraints.

The government has spent about $121 billion thus far on the AIG rescue, and the company, now 80% government-owned, won't be paying back what it owes anytime soon. That has left Mr. Benmosche no option but to contend with pay czar Kenneth Feinberg.

Mr. Benmosche, who was born in Brooklyn, stands 1.93 meters tall and speaks with a gruff voice. He has championed the pay issue as core to his ability to lead his employees, arguing that federal dictates undercut his ability to boost morale and keep AIG competitive. "If we don't have a competitive pay structure going forward, we won't be successful," he says.

In addition to securing himself the largest pay deal of any CEO whose company is under the jurisdiction of the pay czar, he has successfully pushed back against some pay curbs on top employees.

"I didn't join this company to fail," he said in a recent interview with The Wall Street Journal. "While I may have created a perception that I have an issue with the government, I feel we have all partnered extremely well so far."

While AIG still has a long way to go, its insurance businesses are showing signs of stabilizing, and after last year's $99.3 billion loss, the company notched a profit in this year's second and third quarters.

For its first 11 months under government control, AIG was run by Edward Liddy, a former CEO of Allstate Corp. who agreed to work for a token $1 salary. Mr. Liddy sorted out the thorny issues of the bailout without visibly clashing with the government.

This past spring, with AIG appearing likely to survive, federal officials decided the company needed a new CEO to mend its reputation and strengthen its businesses, including those slated for sale, people familiar with the matter say.

In June, AIG directors approached Mr. Benmosche, who had retired three years earlier from the top job at MetLife Inc. Initially he was reluctant, he says, but he eventually looked at the invitation, in part, as a chance to help the insurance industry and stand up for AIG employees being vilified by lawmakers. From the outset, he spoke bluntly about what he thought were government missteps.

"Look, if you want me to come in here and just blow up the company, which is what you're doing, I'm not taking the job," Mr. Benmosche recalls telling government officials in New York and Washington when he was being screened.

Mr. Benmosche told government officials that he thought plans to quickly sell off assets to repay U.S. money were misguided. If you sell from weakness, you won't get good prices, he told them.

In late summer, before accepting the job, he met with Mr. Feinberg, a former prosecutor with a reputation as a tough negotiator with a keen political instinct. Mr. Benmosche sought assurances that he'd have the flexibility to pay AIG employees competitive salaries. Mr. Feinberg assured him he'd be able to.

Mr. Benmosche made it clear he was unwilling to work for a token salary. In August, Mr. Feinberg approved a pay package totaling $10.5 million a year, including $3 million in cash salary.

In wooing Mr. Benmosche, three board members had promised him that when he used AIG's corporate jet for business travel, he could make personal detours, so long as he reimbursed the company, people familiar with the matter say. But AIG couldn't get Treasury's nod to alter a company policy that prohibited personal use of corporate aircraft, these people say.

Commercial flight schedules later caused Mr. Benmosche to miss the first religious service that his daughter, a student rabbi, officiated in Florida. "It's really unfortunate that this happened," he told board members in frustration. "I retired to have my family life, and [use of the jet] was a deal we agreed on."

On his first day on the job, Mr. Benmosche met with senior managers at AIG's lower Manhattan headquarters. He exhorted them to come together to solve the company's problems, and said he didn't want to hear "whining and a lot of crying" about AIG's woes.

He used the F-word liberally, prompting some executives to quietly tally up the number of times he used it, according to a person familiar with the situation. "I was aggressive in my language, but I was trying to set a tone that life will be different and some things are not negotiable," Mr. Benmosche says.

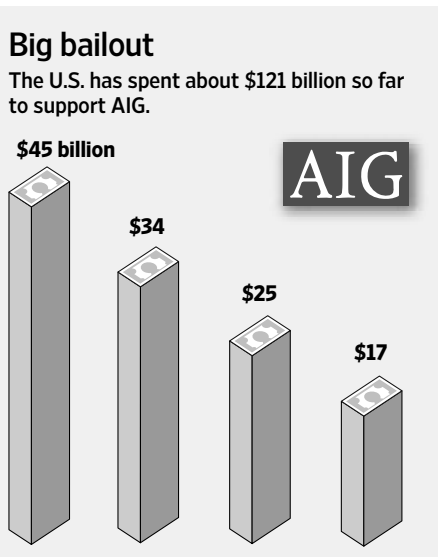
In the ensuing weeks, Mr. Benmosche traveled around the nation meeting hundreds of AIG employees. In August, at a reception prior to a dinner with 20 or so executives at an AIG life-insurance unit in Houston, Mr. Benmosche said "my b— are bigger than the government's," apparently to make the point that he wasn't easily intimidated, say two people familiar with the matter.

Mr. Benmosche says he doesn't recall saying such a thing. "If I said it, I would apologize, as it was not appropriate," he says, adding that sometimes "you have to be a little bit provocative if you're going to get people to believe in you and know you're not afraid."

In late August, Mr. Benmosche made a previously scheduled trip to his vacation home and vineyard in Croatia. He showed off the sprawling property to several journalists, complaining at the same time about the demonization of AIG employees on Capitol Hill.

Around that time, some of the comments he made at employee meetings trickled out. Bloomberg News reported that he had said regulators were to blame for AIG's problems and that New York Attorney General Andrew Cuomo, who had demanded the names of AIG employees who received retention bonuses, should not be in office.

James Millstein, the Treasury's point person on the AIG bailout, worried that the comments would undermine the company by reigniting populist anger. He called Mr.



Reuters

U.S. pay czar Kenneth Feinberg told AIG, 'If I just give you whatever you want...they'll kill you up there,' referring to Capitol Hill, where anger over AIG pay had persisted.

IN DEPTH

AIG CEO Robert Benmosche, at the firm's New York headquarters earlier this month, has successfully pushed back against some pay curbs on top executives proposed by U.S. pay czar Kenneth Feinberg.

Bryan Derballa for The Wall Street Journal

Benmosche in Croatia. "Bob, what are you doing?" Mr. Millstein asked.

"I got a bit into it and said a bunch of stupid things," Mr. Benmosche replied, saying he didn't realize the comments would become public. AIG issued a statement saying Mr. Benmosche regretted his remarks about Mr. Cuomo, who didn't end up releasing the names.

When he got back to the U.S., Mr. Benmosche was summoned to the Treasury. He arrived with AIG Chairman Harvey Golub, meeting department officials in the Treasury's diplomatic reception room. "Welcome back to America," said Neal Wolin, Treasury's deputy secretary.

Mr. Benmosche began talking about Croatia's history, but the Treasury official cut him off. "I think we've all heard enough about Croatia," Mr. Wolin said. He told Mr. Benmosche he needed to stay focused on AIG, which was big and complicated, and not to waste time making inflammatory statements.

Mr. Benmosche says he agreed, but told Mr. Wolin he needed to let employees know he would defend them. Mr. Wolin told him not to do so by criticizing the government.

In September, senior AIG executives continued negotiations with Mr. Feinberg over 2009 compensation packages for AIG's dozen highest-paid employees, after Mr. Benmosche. Several were due millions of dollars in cash that AIG had agreed to pay if they stayed. Mr. Feinberg wanted the company to shift a portion of those payouts into stock or other long-term instruments.

Mr. Benmosche resisted, fearing some key executives would leave. He says he thought it was important to pay people as promised.

Top officials at Treasury and the New York Fed urged Mr. Feinberg not to force the issue. "You've got to be careful," Sarah Dahlgren, the New York Fed's point person for AIG, told Mr. Feinberg.

In late October, Mr. Feinberg decided to slash total pay to the dozen executives by 58% from 2008 levels, and to reduce the cash portion by 91%. He made the deep cuts to compensate for cash retention payments that some executives refused to renegotiate, government officials say.

"I was surprised at the dramatic cuts," recalls Mr. Benmosche. He and his board pushed back. Last month, they met Mr. Feinberg at the insurer's headquarters. Some board members said the pay cuts would hamstring the company.

Mr. Feinberg told the board that AIG would suffer if he signed off on exorbitant pay packages. "You're looking to me to protect you," Mr. Feinberg said. "If I just give you whatever you want...they'll kill you up there," he said, referring to Capitol Hill, where anger over AIG pay had persisted.

Afterwards, Mr. Benmosche expressed his frustration to fellow AIG board members. "If we're going to restrict pay to the point where it's no longer acceptable to some of our key people, then I can't see how we're going to make it," Mr. Benmosche recalls telling the board. "You might want to start thinking about my succession, as I may go back to retirement in the spring."

After The Wall Street Journal reported Mr. Benmosche's resignation threat, he told employees in a companywide memo he was "totally committed" to leading the company and would continue to fight on their behalf.

He took charge of the pay negotiations from AIG's general counsel, Anastasia Kelly, government officials say. Mr. Benmosche's suggestions were creative and flexible, says one of the officials, and "negotiations took a 180-degree turn for the better." Ms. Kelly declined to comment.

On Dec. 1, five senior AIG executives informed the company they were prepared to resign and collect severance benefits if their pay was cut significantly. The five included Ms. Kelly and William Dooley, who oversees the group that contains AIG's ill-fated financial-products division.

Mr. Benmosche told Mr. Feinberg he would try to resolve the problem. Shortly thereafter, everyone but Ms. Kelly rescinded their notices.

Early this month, Mr. Feinberg announced 2009 pay decisions for another 75 top employees. He limited annual cash salaries to $500,000 for most individuals and said cash should make up no more than 45% of total pay.

But this time, he made a concession—he let AIG make substantial cash retention payments to employees and didn't impose much tougher cash-salary curbs on those receiving them. In a letter to Mr. Benmosche, he acknowledged that AIG faced "unique financial circumstances" and needed to keep certain individuals to improve its chances for repaying taxpayers.

Mr. Benmosche is now gearing up for the next pay hurdle. In February, Mr. Feinberg is expected to determine 2010 pay for top executives. Mr. Benmosche says he needs to figure out how to persuade key executives to stay after they collect the last of their retention payments in the spring.

He is aware that his record at AIG ultimately will be judged not by his battles over pay but by whether AIG succeeds in paying back taxpayers. Over the long run, he says, "the government can't be propping up sick businesses."

"We need to get back on our own," he says, "and if we can't make it, shame on us."

FROM PAGE ONE

U.S. says no signs of a bigger bomb plot

Continued from first page
ment database of about 550,000 names in November 2009. He said the suspect wasn't on the 400,000-person watch list, which the U.S. uses to compile the 14,000-person "selectee" list and the "no-fly" list of 4,000. "The investigation will look backwards and figure out if any signs were missed, if any procedures can be changed about how names are watch-listed," he said.

A U.S. official said that Nigerian banker Umaru Mutallab, the father of the accused man, several weeks ago warned officials at the American embassy in Lagos, Nigeria, that he feared his son had been "radicalized" during trips outside the West African country.

Mr. Mutallab's concerns about his son weren't specific, nor did they point to any imminent threat against the U.S., according to the official. But the State Department did share the father's views with officials from the U.S. government's intelligence and counterterrorism bureaus, according to the official.

"The father contacted us and expressed concerns about the radicalization of his son," said the U.S. official. "This information was then shared across the inter-agency." The official said he was still confirming the exact date of when Mr. Mutallab contacted the U.S. embassy, but believed it was recently.

On Saturday afternoon, Judge Paul Borman of the U.S. District Court in Detroit charged Mr. Abdulmutallab at the University of Michigan Medical Center in Ann Arbor, Mich., where he was treated for burns from the incident.

The judge asked Mr. Abdulmutallab how he was feeling and the suspect responded: "I feel better," according to a reporter who was present.

The U.S. Embassy in London issued a multi-year, multi-entry tourist visa to Mr. Abdulmutallab in June 2008 when the Nigerian national was a student living in the U.K., said a U.S. official Saturday.

Reuters/saharareporters.com

Umar Farouk Abdulmutallab is shown in this undated photograph.

Mr. Abdulmutallab initially traveled to the U.S. shortly after receiving his 2008 visa, apparently without incident. U.S. officials said they were now looking into his travel itinerary from his initial trip for any information that might inform on his later actions. Mr. Abdulmutallab apparently visited Houston, said the official.

On Friday, he told investigators he had affiliations with al Qaeda and was trying to blow up the plane, according to a U.S. official.

"We believe this was an attempted act of terrorism," said a White House official.

Mr. Abdulmutallab told investigators he was given the device by al Qaeda operatives in Yemen, along with detonation instructions, the official said. "This guy claims he is tied to al Qaeda, specifically in Yemen," the official said. "He claims he was on orders from al Qaeda in Yemen. Who knows if that's true?"

A Yemeni official said his country has yet to receive any official notice of the incident from the U.S., but said his country would take "immediate action" if called upon by American authorities.

"The facts are still emerging, but there are strong suggestions of a Yemen-al Qaeda connection and an intent to blow up the plane over U.S. airspace," said Rep. Jane Harman (D., Calif.) in a statement, following a briefing by a senior government official.

Rep. Peter King (R., N.Y.) the top Republican on the House Homeland Security committee, said in an interview Saturday that the attempted attack would prompt Congress to reassess airline security procedures.

Mr. King said that briefings from U.S. security officials indicated that "the government definitely knew about [the alleged attacker]. They had a file on him. The question now is why wasn't he on the no-fly list."

A U.S. official said it was unclear why Mr. Abdulmutallab wasn't placed on a no-fly list as a result of his father's warnings. The Department of Homeland Security and the National Counterterrorism Center within the office of the Director of National Intelligence oversee the no-fly list and the U.S. government's broader terrorism watch list.

Mr. Abdulmutallab wasn't subjected to secondary screening at Amsterdam's Schiphol Airport beyond the normal magnetometer screening, Mr. King said.

Ms. Napolitano said in a statement that her department has put additional screening measures in place for all domestic and international flights. She said flights coming into the U.S. from overseas may also be subject to "additional security measures," but cautioned that because such measures are meant to be "unpredictable," not all passengers will be subject to the same screenings.

The new rules imposed by the Transportation Security Administration will limit onboard activities by passengers and crew flying into the U.S., according to a statement put out by Air Canada. Among other things, during the final hour of flight, passengers must remain seated and won't be allowed to access carry-on baggage.

A spokeswoman for the Netherlands National Coordinator for Counter Terrorism said Saturday that the suspect arrived at Schiphol Airport from Lagos and transferred to the Detroit flight. Before the flight departed, a list containing passengers' personal details—including those of the suspect—had been sent to U.S. authorities, in accordance with standard procedures, and U.S. officials cleared this list, she said.

Dutch authorities say that it is difficult to detect all dangerous objects being brought on board a plane, particularly those that can evade existing security technology, such as metal detectors. A spokesman for Dutch intelligence, the Algemene Inlichtingen-en Veiligheidsdienst, declined to comment.

According to Saturday's federal criminal complaint, Mr. Abdulmutallab boarded Northwest Flight 253 in Amsterdam on Thursday, and had a device attached to his body.

The incident happened as the Airbus 330-300 carrying 289 people was approaching Detroit. Mr. Abdulmutallab went to the plane's restroom for about 20 minutes, and upon returning to his seat he stated that his stomach was upset, and he pulled a blanket over himself, according to the Justice Department complaint.

A U.S. official said the father of the accused bomber several weeks ago warned U.S. officials he feared his son had been 'radicalized.'

As the flight was heading for a landing at Detroit airport before noon, the complaint alleges, Mr. Abdulmutallab set off the device.

Passengers heard popping noises similar to firecrackers, smelled an odor, and some observed Mr. Abdulmutallab's pants leg and the wall of the airplane were on fire.

Stephanie van Herk, a passenger from the Netherlands who was in seat 18B, said the plane had lowered its landing gear when she heard a loud bang. At first she thought the plane might have blown a tire, she said, but then she saw flames leap from the lap of a man in the row behind her in the window seat 19A. "It was higher than the seat," said Ms. van Herk, 22 years old.

"Then everyone started screaming," she said. "It was panic." Flight attendants shouted, "What are you doing? What are you doing?" Ms. van Herk added. They called for water, and the man began pulling down his burning pants, she said. Ms van Herk and other passengers got water from the galley and the man was doused.

Passengers and crew subdued Mr. Abdulmutallab and used blankets and fire extinguishers to put out the flames. Passengers reported that Mr. Abdulmutallab was calm and lucid throughout. One flight attendant asked him what was in his pocket, and he replied an "explosive device."

The plane landed safely after the pilots declared an emergency. Though a Northwest flight, the plane had Delta markings. Northwest was acquired by **Delta Air Lines** Inc. in October 2008.

Mr. Borman, the district judge who read the charges, asked if the suspect could afford an attorney, and after some discussion Mr. Abdulmutallab said, "I don't have funds," according to Peggy Agar of Detroit television station WXYZ, one of two reporters present at the Ann Arbor hospital.

He was then asked if he understood what was happening to him, and he responded, "Yes, I do," Ms. Agar recalled.

Mr. Abdulmutallab sat in a wheelchair throughout the proceeding and had a bandage on his left thumb and an intravenous tube in his arm.

—Peter Spiegel and Alistair MacDonald contributed to this article.

WSJ.com

Online today: Read more about the suspect and passengers' accounts of what happened at **WSJ.com/World.**

New China regulations force purchase of clean energy

Continued from first page
a think tank affiliated with China's National Development and Reform Commission, according to Xinhua.

Coal currently accounts for 70% of China's total energy use. China wants to increase use of renewable-energy sources to 15% of its total by 2020, up from 9% last year. The goal is related to a separate target announced by top leader Hu Jintao last month ahead of the Copenhagen climate summit to reduce China's carbon emissions relative to economic output by 40% to 45% from 2005 levels by 2020. The absolute levels of emissions will continue to grow, however, as China's economy expands.

The government's efforts have encouraged a boom in renewable-energy development in China that has added more generation capacity than China's electricity grid has been using. That has left between a quarter and a third of China's wind farms stranded.

Other countries that are promoting renewable energy have similar laws in place. Still, China faces difficulties implementing it. China's electricity grid operators need to develop a smarter network to handle how to dispatch electricity generated by wind or solar energy, which fluctuates widely depending on weather patterns, with demand for power, which swings in different cycles.

The new rules come as China continues to trade barbs over its role at the Copenhagen summit, which ended Dec. 18 with an accord that was widely labeled a disappointment. Some foreign officials, including Britain's climate-change secretary Ed Miliband, have charged that Beijing's intransigence was responsible for the meeting's failure to reach a global commitment to significantly reduce emissions.

China has fired back, with state media running articles trumpeting the contributions of Chinese Premier Wen Jiabao, who attended the summit. Chinese consular officials in the U.S., reflecting the Chinese government's increasingly assertive public-relations tactics, last week forwarded some of that coverage to U.S. journalists.

The Xinhua article they forwarded portrays Mr. Wen as a hero at Copenhagen, struggling to protect the interests of poor nations and shocked by the rudeness of others toward China as he tried to reach a last-minute consensus.

Iranian protesters clash with security forces, killing four

Continued from first page
lice, according to one video circulated on the Internet late Sunday. As the crowd approached them, three antiriot policemen took off their bullet-proof vests, held them up in the air and laid down their batons. The crowd went wild with cheers and whistles, video footage posted on YouTube and opposition Web sites showed.

Fierce clashes have also broken out in the cities of Isfahan and Mashad as well as smaller, more conservative, cities like Arak, according to witness accounts and footage posted on Iranian Web sites. Witnesses and opposition Web sites describe scenes of chaos as security forces lose control of some neighborhoods of Tehran.

The official Web site of Mr. Mousavi's opposition "Green Movement" reported that other rank-and-file security forces and police were refusing orders by commanders to open fire on crowds.

Sunday's violence coincides with the culmination of Ashura, a 10-day commemoration of a revered Shiite martyr. Opposition leaders have called on supporters to pour into the streets to demonstrate against the regime of Iranian President Mahmoud Ahmadinejad, who won contested presidential elections in June. More recently, antigovernment protests have veered toward calls for the end of the Islamic Republic itself.

This weekend also marked continued mourning for recently deceased Grand Ayatollah Hossein Ali Montazeri, a prominent dissident cleric. His death this month triggered fresh protests in Tehran and other cities.

Amid the religious sensitivities surrounding the Shiite holiday and the cleric's mourning, authorities have appeared to tread carefully in controlling protests in recent days. Last week, however, Iran's police chief warned of a tougher response in case of "illegal" demonstrations.

WSJ.com

Online today: See a slideshow and video from Iran at **WSJ.com/World**

Venezuela's president, Chávez, threatens a Toyota plant
BUSINESS & FINANCE 20

China's wine industry may be a good investment
HEARD ON THE STREET 32

BUSINESS & FINANCE.

Monday, December 28, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

Korean group wins nuclear deal

U.A.E. awards $20.4 billion contract for four reactors in breakthrough on world stage for Korea Electric Power

By Margaret Coker

ABU DHABI—A Korean-led consortium on Sunday won a landmark contract, valued at about $20.4 billion, to build four nuclear reactors in the United Arab Emirates, ending a closely watched contest between bidders from Asia, France and the U.S.

The victory for **Korea Electric Power** Co., in conjunction with construction units of the **Samsung** and **Hyundai** business groups and with Westinghouse, a unit of Japan's **Toshiba** Corp., marks the first international deal for the Asian nation's nuclear industry. It is expected to boost Korea's footprint in the increasingly active global nuclear business, dominated by French, Japanese, U.S. and Russian companies.

The announcement Sunday in Abu Dhabi, the capital of the wealthy federation of seven Persian Gulf sheikhdoms, marks the end of a yearlong, high-stakes commercial and diplomatic endeavor to convince world powers that this young Mideast nation, located some 160 kilometers away from Iran, can safely develop an indigenous nuclear-energy program. The U.A.E's project would mark the first fleet of civilian nuclear power reactors in the region.

Speaking at a ceremony held at the lavish Emirates Palace hotel, U.A.E. President Sheikh Khalifa bin Zayed al Nayan said the deal marked a "new stage of strategic partnership" between the U.A.E. and South Korea.

Emirates Nuclear Energy Company

The Korean consortium beat out rivals from France, the U.S. and Japan. Above, a rendering of the U.A.E. project.

South Korean President Lee Myung-bak, who attended the ceremony, said in a prepared statement that the deal with the U.A.E., one of the world's largest oil exporters, could bolster energy security for his country, a big net importer of oil.

Despite its petroleum wealth, the U.A.E. has ambitions to diversify its economy away from natural resources. Economic forecasts show the country's power demand growing sharply over the next two decades, far outstripping its current capacity. Short on the natural gas it takes to run its electric plants, officials here decided last year that nuclear energy would be both the cleanest and most cost-effective way to meet their energy demands.

U.A.E. nuclear officials said that the Korean bid, one of three shortlisted for the reactor deal, represented the one with the highest safety standards and met the stringent commercial requirements that would ensure the nation could go online with nuclear energy by 2017.

Other bidders were a French consortium that included **Areva**, **GdF Suez** SA, **Electricite de France** and **Total** SA and a U.S.-Japanese consortium including **General Electric** Co. and **Hitachi** Ltd.

The award is a blow to France, which has pinned hopes on harnessing the growing global appetite for nuclear energy by exporting its well-honed technology and know-how. The French bid had been seen by outsiders as an early favorite. But a number of factors, including price and a track record of on-time delivery, benefited the Koreans, according to U.A.E. nuclear officials familiar with the situation.

Members of the French consortium said in a statement on Sunday that they remained open to future nuclear cooperation with the U.A.E.

The value of the deal was also less than some expected, with some estimates having been as high as $40 billion. U.A.E. officials said construction costs have dropped dramatically since their nuclear plans were unveiled before the global economic crisis, and Sunday's contract represented just the first part of a larger fleet of reactors.

A bevy of Arab nations have declared in recent years their intxent to pursue nuclear energy, a prospect

Please turn to page 20

Adjusted for inflation, bad decade looks even worse

By E.S. Browning

Many investors realize that stocks have been among the worst investments of the past decade. But they may not realize quite how bad the decade was, because most people forget about the effects of inflation

ABREAST OF THE MARKET

Despite its 2009 rebound, the Dow Jones Industrial Average today stands at just 10520.10, no higher than in 1999. And that is without counting consumer-price inflation. In 1999 dollars, the Dow is only at 8140.38 and would have to rise another 29% to return to 1999 levels. Using today's dollars and starting at 10520.10, the Dow would have to surpass 13595.49 to get back to its 1999 level in real, inflation-adjusted terms.

Controlling for inflation takes extra work and makes stock gains look punier, so it is easy to see why stock analysts almost never do it. The media almost never do it either.

But other things do get measured in real dollars. When economists report whether the economy is growing, they account for inflation. When analysts judge long-term gains in commodities such as gold or oil, they often adjust for inflation, noting that gold hit a record this month in nominal terms but remains far from its 1980 record in real terms. Because analysts almost never do the same with stocks, it leaves investors with an exaggerated view of their portfolios' performance over time.

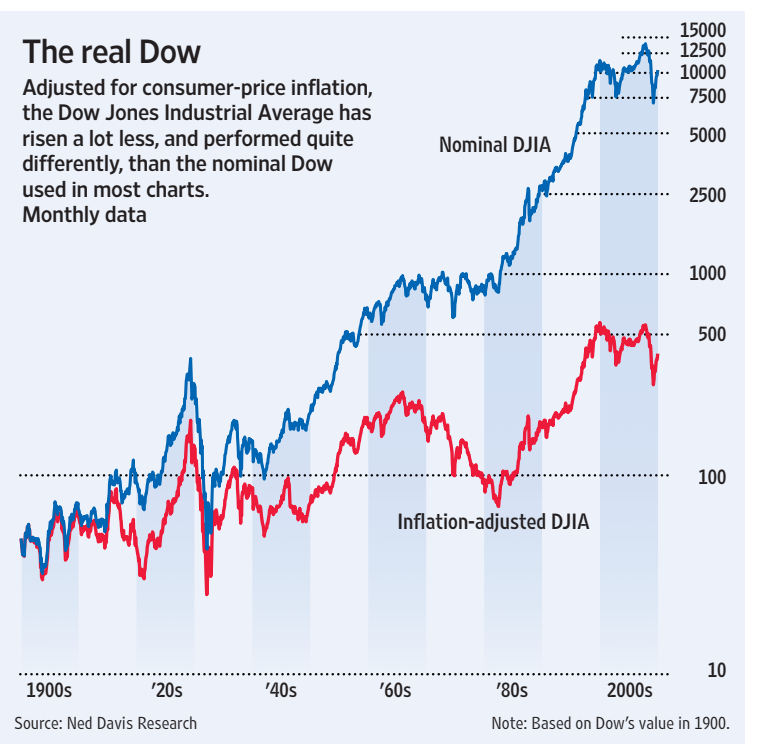
"Looking at returns on a nominal basis can be very misleading," says Richard Bernstein, a former chief investment strategist at Merrill Lynch who is launching a New York money-management firm called Richard Bernstein Capital Management. He checks inflation-adjusted performance to monitor investments' real value.

A few analysts trying to get a better perspective on investments' performance have taken to measuring the Dow in a variety of unconventional ways. Gold bugs look at the Dow based on gold prices, which makes its performance look much worse over the past decade. Europeans and others with international investments sometimes measure the Dow's return in euros. That makes the Dow look worse since 2006, a time when the euro has been rising. The dollar's recent rebound has helped make the Dow look a little better against the euro and gold, however.

Mr. Bernstein says some investors saving for education expenses compare returns to tuition inflation. If the portfolio doesn't rise as fast as education expenses, these investors reason, they will need to boost contributions. The same is true for someone saving for retirement expenses or for future medical costs.

Garrett Thornburg, founder of Thornburg Investment Management in Santa Fe, N.M., calculates what he calls "real-real" returns, adjusting stock performance not only for inflation but also for real-world drags

Please turn to next page



Ping An Insurance extends deadline

Company will have until April 30 to close deals to raise stake in Shenzhen Development Bank to 30% from 5%

SHANGHAI—**Ping An Insurance (Group) Co. of China** Ltd. has extended the deadline to complete its $1.7 billion purchase of **TPG** Inc.'s stake in **Shenzhen Development Bank** Co. by four months, as the deal is still pending Chinese regulatory approval.

The extension, which also applies to another proposed investment by Ping An in Shenzhen Development Bank, will make it difficult for the midsize Chinese lender to raise funds to meet tighter capital requirements and expand its business next year, analysts said.

Ping An agreed in June to buy TPG's entire 16.76% stake in Shenzhen Development Bank for 11.45 billion yuan ($1.68 billion). The acquisition is part of a broader plan by Ping An to increase its ownership of the lender to 30% from 5%.

As well as buying the stake from U.S. private-equity firm TPG, the insurer intends to buy as many as 585 million new Shenzhen Development Bank shares for 10.7 billion yuan in a private placement that is also awaiting regulatory approval.

Ping An said late Thursday that TPG had agreed to push back the deadline for the completion of the purchase to April 30 from Dec. 31. Ping An said the deadline could be extended a further 180 days as the deal waits for regulatory approval. The same deadline will apply to Ping An's participation in the private placement, said Shenzhen Development Bank spokeswoman.

Bloomberg News

The Shenzhen Development Bank stake would move Ping An closer to its goal of becoming a financial conglomerate.

The insurer said Ping An and TPG are "confident of completing the deal." The deal would move Ping An closer to its goal of becoming a financial conglomerate, while TPG would receive an 11-fold return on the investment it made in Shenzhen Development Bank five years ago, making it one of the most successful exits by a foreign private-equity firm from a Chinese investment.

Shenzhen Development Bank has been unsuccessful in previous attempts to raise funds from investors. A $100 million deal with **General Electric** Co.'s consumer-finance unit lapsed in 2007 when the bank's stock price rose to nearly eight times the agreed price for the stake sale. A plunge in Shenzhen Development Bank's share price in 2008 sank an investment by China's **Baosteel Group**.

As of Sept. 30, Shenzhen Development Bank's capital-adequacy ratio was 8.6%. Officially, the minimum ratio in China is 8%, which means banks would need to maintain $8 of capital for every $100 of assets. However, China's banking regulator has urged commercial banks to boost their capital-adequacy ratios to 10%.

The regulator has also asked lenders to lay out their plans for raising capital. It said last month it would punish banks that fail to comply with capital-adequacy requirements by year's end by limiting their market access, overseas investments and new branches.

Shenzhen Development Bank halted its shares from trading Friday because of the deadline extension, the bank spokeswoman said. She said the lender would issue a statement on the extension soon.

Trading will resume after the bank issues a statement, the Shenzhen Stock Exchange and the official said, without elaborating.

—Rose Yu

Adjusted for inflation, Dow's decade looks even worse

Continued from previous page
such as taxes and fees.

Nominally, a dollar invested in the stocks of the Standard & Poor's 500-stock index at the end of 1978 had blossomed to $22.88 at the end of 2008, including dividends, a sweet gain even after the 2008 meltdown. But once estimates of inflation, taxes and costs are removed, he figures, the investment was worth only $3.76.

All of this might be enough to put investors off stocks entirely, until they consider the long-term alternatives. Measured over the 1978-2008 period, rather than over just one decade, stock performance in real-real terms actually is better than that of just about any other major investment class, Mr. Thornburg found: 4.5% a year. Stocks' ability to keep up with inflation over the very long haul may be their best selling point.

In real-real terms, stocks did better over that period than municipal bonds (2.5% a year), long-term government bonds (2% a year) and corporate bonds (0.2% a year). Real-real home prices were unchanged over those 30 years. Both short-term government bonds and commodities suffered losses. (Mr. Thornburg has experience investing in all these areas, although his mortgage affiliate went bust in last year's housing collapse.)

Figuring out how to adjust for inflation can mystify some investors, although the Internet now offers several helpful Web sites.

Prof. William Hausman at the College of William & Mary says newspapers and analysts frequently point to the Dow's 2007 record of 14164.53. In inflation-adjusted terms, however, the Dow in 2007 never quite surpassed its 2000 record, Prof. Hausman calculates. To return to an inflation-adjusted record now, he adds, the Dow would need to break 15000.

Lately, some investors have gotten interested in measuring the Dow in gold rather than dollars.

In 1997, the Dow looked strong at 40 times the dollar value of an ounce of gold, notes John Hathaway, who oversees more than $5 billion at the Tocqueville Gold Fund at New York's Tocqueville Asset Management. With gold's rebound since 1999, the Dow now is worth about nine times an ounce of gold, meaning simply that gold has performed a lot better than the Dow.

For those who like bandwagons, that suggests that it is time to buy gold. For those who like to buy things when they are cheap, it suggests that gold was cheap in 1997, and stocks have gotten cheaper since, at least when they are measured against gold.

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Accretive Health....18
Acom....22
Aiful....22
Air France-KLM....9
Alberta Investment Management....22
Amaranth Advisors....24
American Axle & Manufacturing Holdings....21
American International Group....14
Aozora Bank....22
Ares Management....19
Areva....17
Arik Air....9
ArvinMeritor....21
Asian Development Bank....24
A123 Systems....18
Avago Technologies....18
Bank of America....14,22
Bank of East Asia....24
Bank of New York Mellon....22
Baosteel Group....18
Best Buy....19
BlackRock....25
Boeing....24
BorgWarner....21
British Airways....9
Cadbury....22
Canon....26
Carrefour....10
CBS....22
Centrica....22
China Mobile....19
China National Nuclear 19
Chrysler Group....21
Cisco Systems....22
Citigroup....22
CME Group....24
Credit Suisse Group....24
Dana Holding....21
Delta Air Lines....9
Dollar General....18
Dragon Oil....22
Electricite de France....17
Emdeon....18
Emirates National Oil..22
Exelon....24
Fannie Mae....8
Financial Engines....18
Freddie Mac....8
FTN Capital Markets....18
Gap....19
GDF Suez....17
General Electric..17,18,22
General Motors....21
Goldman Sachs Absolute Return Tracker....24
Goldman Sachs Group....14,24
Goodyear Tire & Rubber....21
Hitachi....17
Holcim....10
Honda Motor....21
HSBC....23,24
Hyundai....17
Hyundai Motor....21
Inpex....26
InterContinental Exchange....24
International Finance...24
iShares Dow Jones U.S. Oil & Gas Exploration & Production Index....25
Jana Partners....22
Japan Airlines....20
Japan Petroleum Exploration....26
KLM Royal Dutch Airlines....9
Korea Advanced Institute of Science and Technology....20
Korea Electric Power....17
Kraft Foods....22
LCH Clearnet Group....24
Lear....21
Lilama....25
Lufthansa....9
3M....24
Medtronic....7
Mitsubishi UFJ Financial Group....22,24
Nissan Motor....21,26
PetroVietnam....25
Ping An Insurance (Group) Co. of China..18
Plum Creek Timber....25
PowerShares DB Agriculture Fund....25
PowerShares DB Base Metals Fund....25
Premia Fund....24
Promise....22
Rio Tinto....23
Robert Walters....10
rue21....18
Samsung....17
Sberbank....25
Sears Holdings....19
Seven & I Holdings....4
Shenzhen Development Bank....18
Simmons Bedding....19
Sinopec....19
Softbank....26
Southern Airports....25
SPDR Gold Trust....25
Standard Life Group....10
State Street....24
Stephens....25
Stevens & Lee....19
Sumitomo Mitsui Financial Group....22
Sumitomo Trust & Banking....22
Takefuji....22
Tandberg....22
The Children's Investment Fund Management....22
Thomas H. Lee Partners....19
TNT NV....10,22
Tokyo Stock Exchange..32
Toshiba....17
Total....17
Toyota Motor....20,21,26
TPG....18
Trony Solar Holdings....18
TRW Automotive Holdings....21
UC Rusal....25
Unilever....10
United States Gasoline Fund....25
Venture Production....22
Vietcombank....25
Vinachem....25
Vinacomin....25
Vinafood 1....25
Vinafood 2....25
Visteon....21
Vneshekonombank....25
Wal-Mart Stores....19
Yantai Changyu Pioneer Wine....32

People

This index lists the names of businesspeople and government regulators who receive significant mention in Today's Journal.

Adachi, Seiji....4
Ader, David....23
Arora, Amitabh....27
Bacon, Kenneth....8
Barbera, Robert....8
Bebchuk, Lucian....22
Benmosche, Robert....14
Benson, David....8
Bernstein, Richard....17
Bevan, James....23
Bogle, Jack....24
Bostrom, Robert....8
Caron, James....27
Creekmuir, William S...19
Davis, Ned....18
Dong, Lee....20
Dooley, William....14
Duffie, Darrell....24
Ellehuus, Christoffer....10
Erbe, Hank....18
Esiner, Omer....26
Feroli, Michael....8
Gauthier-Villars, David 20
George, Paul....8
Goldberger, Leonard P..19
Golub, Harvey....14
Grady, Jeff....21
Guerin, Pat....22
Hathaway, John....18
Hausman, William....18
Hawkins, Bill....7
Hickey, Chris....10
Hisey, David....8
Johnson, David M....8
Joyce, Tess....10
Kari, Ross....8
Kelly, Anastasia....14
Kelly, Chris....18
Kelly, Robert....22
Khurana, Rakesh....22
Kine, Phelim....5
Klann, Arnold....27
Krafcik, John....21
Lantz, Carl....27
Maisano, Frank....27
Matsumura, Shigeru....26
Mayopoulos, Timothy....8
McMillan, Jim....27
Nabham, Gregg....18
N'Goran, Emmanuel....23
Nishimura, Yumi....26
Numazaki, Tamotsu....26
O'Donnell, William....23
O'Sullivan, Jim....8
Paulson, John....25
Phelan, Kenneth....8
Rau, Raghavendra....22
Saadi, Dania....20
Schuster, Josef....18
Secker, Graham....23
Sohn, Sung Won....25
Soon-Heung Chang....20
Stewart, Tonia....19
Sutton, Camilla....26
Tanaka, Lesley....19
Tasker, Peter....4
Tedford, Bill....25
Thornburg, Garrett....17
Tilton, Andrew....25
Ting, Lu....3
Watters, Brent....19
Whiston, Dave....21
White, Adam....24
Williams, Michael....8
Wilson, Doug....21
Witherell, Bruce....8
Wong, Carson....26,27
Wu, Gordon....19
Yano, Masayoshi....26
Yermack, David....22
Yu, Geoffrey....26
Zhang Chunjiang....19
Zhongying,Wang....1

China Mobile cites probe

Vice chairman comes under state scrutiny regarding conduct issues

By Jason Dean

BEIJING—**China Mobile** Ltd. said Vice Chairman Zhang Chunjiang is being investigated by Chinese authorities for an alleged breach of personal conduct, the latest probe into alleged executive wrongdoing to roil the country's massive state sector.

China Mobile, the world's largest cellular carrier by subscribers, didn't elaborate on the probe.

In a statement Sunday it said that Mr. Zhang is suspected by authorities of "serious personal violations" and that the company "will closely monitor the situation and will make further announcement when appropriate."

The Web site of the state-run Xinhua news agency said Saturday that the Communist Party's Central Commission for Discipline Inspection is investigating Mr. Zhang for "suspicion of serious violation of discipline," language that is generally code for suspected corruption. The two-sentence report cited a commission official.

Rainie Lei, a China Mobile spokeswoman, said Saturday that the probe would have no impact on the company's operations.

Mr. Zhang couldn't be reached for comment.

Corruption among senior executives has been a consistent problem for the Chinese government in its state corporations, which dominate huge swaths of the economy such as the telecommunications, financial and energy industries.

Associated Press

China Mobile Vice Chairman Zhang Chunjiang is being investigated for suspicion of 'violation of discipline.'

In August, for example, the government said Kang Rixin, general manager of state-run **China National Nuclear** Corp., a company spearheading China's expansion of nuclear power, was being investigated, also for serious violation of discipline. And in July, the former chairman of one of China's biggest oil companies, **Sinopec** Corp., was convicted of accepting close to $28 million in bribes.

Mr. Zhang is also head of the powerful Communist Party committee at China Mobile's state-owned parent, China Mobile Communications Corp., which owns about 74% of the listed company. Party committees have ultimate control over key aspects of state-owned companies' operations.

Mr. Zhang joined China Mobile, where he is also an executive director, in June of last year after more than a quarter century in the state telecom sector.

In his previous job, chairman of state-owned fixed-line carrier China Netcom Group Corp. (Hong Kong) Ltd., Mr. Zhang helped engineer a corporate-governance overhaul aimed at giving outside board members greater say.

Netcom last year was merged into another Chinese telecom company as part of a government restructuring of the sector, which prompted Mr. Zhang's transfer to China Mobile.

China Mobile lists shares on the Hong Kong exchange and American depositary shares on the New York Stock Exchange.

—Lorraine Luk contributed to this article.

Chinese give Simmons a look

By James T. Areddy

SHANGHAI—A group of financiers is trying to put a U.S. mattress maker now under bankruptcy-court protection into play by encouraging Chinese bidders to top an already arranged offer for **Simmons Bedding** Co., according to people involved in the effort.

Success looks unlikely for the eleventh-hour effort to encourage a Chinese bidder to challenge a deal already worked out between Simmons, its creditors and new investors.

Still, the move marks a fresh twist in China's push to buy foreign trademarks, technology and distribution networks.

It is the first attempt by the government-linked Chinese financiers behind the Simmons push, as well as the Pennsylvania-based bankruptcy lawyer trying to find similar deals for them, to help Chinese bidders shop for acquisitions in U.S. bankruptcy courts.

In November, closely held Atlanta-based Simmons and related companies filed for Chapter 11 bankruptcy protection with a prepackaged reorganization plan designed to reduce the company's $1 billion in debt by more than half and to pave the way for a sale of substantially all of its assets to a group of institutional investors.

Last week, details of that plan were translated into Chinese and posted on the Web site of a government-owned registry in the southern city of Guangzhou, where large corporate and government assets are put on sale.

The idea was to encourage potential Chinese bidders to offer Simmons creditors a better deal than the one presented to the bankruptcy court, and generate fees for themselves if such a bid were to proceed, according to people involved.

"An asset in bankruptcy is always in play," said Leonard P. Goldberger, a Philadelphia- based lawyer with the firm **Stevens & Lee**.

Mr. Goldberger is working with government-owned Guangzhou Enterprises Mergers and Acquisition Services, the clearinghouse that published the Simmons information.

Simmons discounted the endeavor. "In response to recent rumors....Simmons wants to reiterate that it is not contemplating any alternate bids in China or elsewhere nor has Simmons authorized any agent in China to solicit any such bids," said William S. Creekmuir, executive vice president and chief financial officer of Simmons, in a written response to questions.

> U.S. mattress maker already has a deal set with its creditors and new investors.

Simmons, controlled by Boston private-equity firm **Thomas H. Lee Partners** before November's bankruptcy filing, told the bankruptcy court it anticipated reorganizing $1 billion in debt and exiting bankruptcy protection within 60 days under new ownership led by Los Angeles-based **Ares Management** LLC and a division of Canada's Ontario Teachers' Pension Plan.

In his statement, Mr. Creekmuir said Simmons "remains completely committed" to that plan, adding that it "was reached after an exhaustive and thorough bid process."

The Chinese promoters played down the likelihood of their own success.

An unspecified number of potential Chinese buyers have expressed interest in Simmons, said Gordon Wu, senior partner of Ansion Private Equity & Venture Capital, an advisory firm owned by the Guangzhou asset exchange, but none is likely to put together a credible deal before the U.S. bankruptcy-court proceedings conclude. It is "probably too late," he said.

But the effort comes as deal fever is running high in China, with cash-rich companies sensing that Western industrial facilities, technology and expertise may be ripe for purchase at discounted prices.

Mr. Wu said U.S. bankruptcy courts could be ideal hunting grounds for assets, because such courts are required to consider how creditors can get the best possible deal.

"A Chinese company can walk in and make an offer," he said.

For the second year in a row in 2009, according to preliminary figures released by Dealogic this week, Chinese purchases of foreign companies in 2009 are to exceed the value of deals in the opposite direction, at $46 billion and $31.2 billion, respectively.

That compares with $50.3 billion in foreign acquisitions by Chinese companies in 2008, and $41.3 billion in deals with Chinese companies as targets, according to Dealogic.

This month Chinese companies have made progress in deals related to Ford Motor Co.'s Volvo and General Motors Co.'s Saab units.

—Gao Sen in Beijing contributed to this article.

Associated Press

Marion Donato shopped at a Target store in Lakewood, Calif., on Thursday.

U.S. retailers mount post-Christmas push

By Miguel Bustillo And Geoffrey A. Fowler

Following a relatively subdued last-minute shopping rush before Christmas, U.S. retailers were hoping to entice consumers to keep buying after the holiday.

More retailers planned Internet sales this year in a bid to cash in on the growth of e-commerce, one of the few bright spots in an otherwise lackluster holiday-shopping season. Shoppers and stores have engaged in a tug-of-war this year, as consumers postponed shopping in hopes of deep discounts and retailers tried to preserve their profit margins, offering limited deals designed to drive traffic into stores.

Large store chains began unveiling post-Christmas sales early this year in an attempt to coax reluctant consumers back into buying.

Wal-Mart Stores Inc. said Wednesday that it would discount electronics and toys from Saturday through New Year's Day, offering deals that included an eMachines netbook computer for $228. Electronics retailer **Best Buy** Co. on Tuesday rolled out its own computer specials, starting online on Christmas Day and available in stores on Saturday. They included a Lenovo netbook for $197. Best Buy said it was the first time it had telegraphed its post-Christmas promotions so far in advance.

Elsewhere, store traffic at Azalea, a trendy clothing boutique in San Francisco's Hayes Valley Saturday, was slower Saturday compared with the day after Christmas last year, according to store manager Lesley Tanaka. Ms. Tanaka chalked it up to the fact the store decided not to start sales right after Christmas this year, after such sales didn't drive enough additional traffic to make up for the profit hit from the discounts last year.

"It was kind of like shooting yourself in the foot," she said, of last year's early discounts. The store—which sells merchandise such as $200 black skinny jeans and $500 plaid wool jackets—plans to start sales later this month or in February, she said.

During the overall holiday season, Ms. Tanaka said, traffic was up during the busiest preholiday days, although shoppers were making smaller purchases. Without the early discounting, she expects profit to be the same this year as last.

Meanwhile, some experts predicted a rise in gift-card purchases this holiday season compared with last year. The cards are booked as sales when they are redeemed and would provide a lift to post-Christmas sales.

Mercator Advisory Group predicted that dollars loaded on store-issued gift cards will rise 1.9% to $38 billion this year, while cards usable at multiple outlets, a fast-growing category, could see deposits grow as much as 50% to $6.9 billion.

A blizzard that blanketed much of the northeastern U.S. during the weekend before Christmas may have boosted gift-card sales. "Many people lost a day, they have less time to choose gifts, and when that happens the gift-card option becomes much more attractive," said a Mercator analyst, Brent Watters.

Retailers may need that gift-card lift this year, because U.S. shoppers appeared to be in a frugal mood before Christmas

Resisting enticing banner ads from companies such as retailer **Gap** Inc., which was advertising as much as 60% off, many shoppers were buying only necessities before Christmas, such as wrapping paper and gifts for family. Few were lugging multiple shopping bags.

Tonia Stewart of Brooklyn, N.Y., said she spent "much less money" this year because of the recession, but still ventured to a **Sears Holdings** Corp. Kmart store to get a teddy bear for her daughter. "It's something I do every year, and I decided I would not let the economy stop me," she said Thursday.

Retail executives and prognosticators predicted strong last-minute sales this holiday season, part of a continuing trend toward late shopping. But the snowstorm made "Super Saturday," the final Saturday before Christmas, less spectacular than retailers had hoped.

Sales at retail chains for the week ended Dec. 20 rose just 0.4% compared with a year earlier, according to the International Council of Shopping Centers. By Dec. 20, only 70% of consumers had finished their holiday shopping, off from 80% a year earlier, the ICSC estimated.

—Karen Talley and Ann Zimmerman contributed to this article.

Chávez threatens to take over plant

Venezuelan president considers asking a Chinese company to operate local Toyota factory if it is nationalized

By Dan Molinski
And Norihiko Shirouzu

Venezuelan President Hugo Chávez, beset by a recession that is hurting his popularity, has turned his sights on international car companies, threatening them with nationalization and pledging to ramp up government intervention in their local businesses.

The populist leader has threatened to expropriate **Toyota Motor** Corp.'s local assembly plant if the Japanese car maker doesn't produce more vehicles designed for rural areas and transfer new technologies and manufacturing methods to its local unit. He said other car companies were also guilty of not transferring enough technology, mentioning Fiat SpA of Italy, which controls Chrysler Group LLC, and General Motors Co.

The president ordered his trade minister, Eduardo Saman, to inspect the Toyota plant. He said if the inspection shows Toyota isn't producing what he thinks it should and isn't transferring technology, the government may consider taking over its plant and have a Chinese company operate it.

"We'll take it, we'll expropriate it, we'll pay them what it is worth and immediately call on the Chinese," Mr. Chávez said in a televised address late Wednesday.

Mr. Chávez, a former army officer who has been in power longer than a decade, has nationalized dozens of foreign-owned companies—and sometimes entire sectors of the economy, including electricity firms, cement companies, coffee companies and oil-services firms.

A Toyota spokesman in Tokyo said the company is checking with the Japanese embassy in Venezuela, the Venezuelan embassy in Japan, and Japan's foreign ministry to determine the president's exact intentions. The company hasn't decided yet how or whether it will take any steps, the spokesman said.

GM and Fiat officials couldn't be reached for comment.

Mr. Chávez's verbal attacks on the Japanese firm are likely motivated by politics and stem from Venezuela's quirky auto market, analysts said. Many Venezuelan consumers are angry about a shortage of new cars for sale—partly because of Mr. Chávez's own unorthodox economic policies.

Associated Press

Venezuela's Hugo Chávez has turned his sights on international auto companies, threatening them with nationalization.

While Mr. Chávez's comments suggest that his government will intervene more heavily in the local car industry in a bid to boost the supply of cars for sale, some analysts played down the president's threats to resort to nationalization—a move unlikely to solve the underlying problems.

"Something could happen [in terms of nationalization], but I'd give it a low probability," said Robert Bottome, publisher of Veneconomia, a leading Venezuelan business newsletter. Mr. Bottome said he thought Mr. Chávez was trying to score political points by criticizing the car makers amid a deep recession that has seen the president's approval ratings fall below 50%.

Any move to nationalize would have little impact on Toyota's bottom line. The company's Venezuelan operations are the smallest of the four Latin American markets where it produces cars, and the Venezuelan market has dropped sharply in the past year, while other markets in the region, such as Argentina, Brazil and Mexico, have either held steady or grown despite the global recession.

Toyota produced about 13,000 vehicles in Venezuela last year, and sold roughly 30,000 for a market share of 11%, lower than the Japanese car maker's share in the U.S. Globally, Toyota sold nearly nine million vehicles in 2008.

Venezuela's auto sector is pushed and pulled by a series of countervailing influences that have left many customers frustrated and showroom floors empty. Demand for new cars is high, even amid a recession, because heavily subsidized gas is so cheap—about seven cents a gallon. But supply of new cars is low because strict government currency controls make it difficult for companies to get the dollars needed for parts to make the cars.

Supply is also hamstrung by enduring labor problems. Firing workers is nearly impossible in Venezuela, and many employees want their companies nationalized so they can become government workers with the perks and job security that come with that status.

Toyota ran into labor problems earlier this year that led the company in March to take out an advertisement in a local newspaper warning that it may not remain here much longer. "For the first time in 51 years of uninterrupted work in Venezuela, the presence of Toyota de Venezuela C.A. in the country is seriously threatened," the company said in an ad in the El Nacional daily.

In May, a Toyota union leader was shot dead. He had led a month-long strike last year that paralyzed the Toyota plant in the eastern city of Cumana. In September, prosecutors brought a murder charge against a man accused of killing the union leader, but gave no indication of a motive.

Whether Mr. Chávez moves to nationalize outright, he indicated his government would turn up the pressure on car companies. He said his government is going to apply strict quotas regarding the number and types of vehicles auto makers can produce.

The nature of the Venezuelan car market may make it unlikely that Mr. Chávez gets what he wants, particularly regarding the transfer of technology.

A senior Toyota executive said that Venezuela's auto market is "too small for us to be able to fully localize production and transfer technology in a meaningful way." Because of the limited sales volume and the country's high duties on imported cars, the executive said, most global auto makers bring partially assembled cars into Venezuela and put them together in a process known as knock-down assembly.

Venezuela also lacks a mature supply base of components. Given all those factors, it's "very difficult—virtually impossible—not just for Toyota but for any global auto maker to transfer technology," the Toyota executive said—though the official wasn't ruling out an effort by the auto company to try to accommodate Caracas.

As for Mr. Chávez's demand for Toyota to produce more low-priced vehicles designed for rural areas, the Toyota executive said the cheapest vehicle a global auto maker such as Toyota could produce today is still too expensive for most regular consumers in the emerging world.

That said, the executive said Toyota is gearing up to unveil a no-frills car aimed at emerging markets, referring to the car Toyota calls "New Compact Car." The car is due for a launch in India in late 2010 and in Brazil a year after. Toyota has no plans to launch that car in Venezuela, but a no-frills car like the NCC would be more affordable and might be the car Mr. Chávez is demanding, he said.

The NCC is Toyota's answer to the Tata Nano, a super-low-priced, Indian-designed car for emerging markets. To compete in this new category of ultra-cheap cars, GM plans to use a joint venture it runs in China with local Chinese partners to market micro minivans priced at $4,000 around the world including Latin America, although it wasn't immediately clear whether the U.S. auto maker plans to enter the Venezuelan market with it. Other auto makers trying to compete in this new market include Renault SA, Nissan Motor Co. and Suzuki Motor Corp.

Toyota's annual report says it has 90% of voting rights in its Venezuelan business. It isn't clear who controls the remaining 10%. Toyota's assembly plant in Venezuela has more than 2,000 workers, and has been in the country for more than 50 years.

—Alison Tudor, Yoshio Takahashi and Jóse de Córdoba contributed to this article.

Korean group wins nuclear project

Continued from page 17

that has attracted controversy due to the instability and growth of radical groups in the region. The U.A.E., however, won international political backing due in part to the nation's guarantee that it would buy the enriched fuel needed to run its reactors from the international market and not process its own.

That measure, in addition to the strict regulatory standards being instituted here, has earned praise from the U.S. administration.

Still, some U.S. officials have voiced reservations about nuclear security. Iranian entities have been known to use front companies based in Dubai, the commercial capital of the country, to import sensitive military technologies. U.A.E. officials say they are cracking down on such shell companies and working to prevent materials sanctioned by the United Nations from reaching Iran.

The U.A.E.'s decision is a blow to France, whose consortium was seen as an early favorite. A third group including G.E. and Hitachi also lost out.

With more than half of the world's 439 nuclear reactors expected to be retired by 2030, and nuclear-power plants gaining appeal because they don't emit greenhouse gases, demand for nuclear technology is expected to grow sharply.

Korea, which built its first commercial nuclear reactor in 1978 and now receives 40% of its electricity from 20 reactors, hopes to make nuclear infrastructure exports a pillar of its economy much like cars and electronic goods, according to presidential spokesman Lee Dong-kwan.

Chang Soon-heung, a professor of the department of nuclear and quantum engineering at **Korea Advanced Institute of Science and Technology**, said the U.A.E. deal would be "a great start for Koreans to advance further in the age of a nuclear renaissance."

—David Gauthier-Villars in Paris, Dania Saadi in Dubai and Jae-Yeon Woo in Seoul contributed to this article.

Japan mulls JAL options

By Yoshio Takahashi

TOKYO—Japan's transport minister said Friday the government is still considering loan guarantees for struggling **Japan Airlines** Corp. to avoid disruptions as the airline seeks to revamp its operations.

In response to emerging concerns about the government's position on JAL, Transport Minister Seiji Maehara reiterated at a regular news conference that the government is determined to support the airline's revival.

Still, Mr. Maehara acknowledged there had been questions from "a variety of industries" about whether Tokyo would continue to back JAL.

On Tuesday, Finance Minister Hirohisa Fujii said the government had no plan to include a loan guarantee in the budget for the next fiscal year, and suggested such a guarantee may never appear in the budget. But Mr. Maehara said "discussions are under way," suggesting the budgeting may be worked out at a later date.

However, some of Mr. Maehara's comments made earlier in the week, as well as those by the finance minister, indicate the government may not be willing to provide direct financial aid to JAL.

On Tuesday, Mr. Maehara said some Cabinet members believe loans to JAL by the state-backed Development Bank of Japan could be regarded as government guarantees.

Similarly, he said aid from the quasigovernment Enterprise Turnaround Initiative Corp. also could be considered a government guarantee.

Hyundai wins as global giants skid

Korean auto maker's success in U.S. sales, market share may mean further gains when the economy strengthens

By Alex P. Kellogg

Unlike most of the car industry, **Hyundai Motor** Corp. is emerging from the recession as a winner, on track to post a significant rise in U.S. sales and market share this year. That could set the Korean company up for further gains against its much bigger competitors as the economy strengthens.

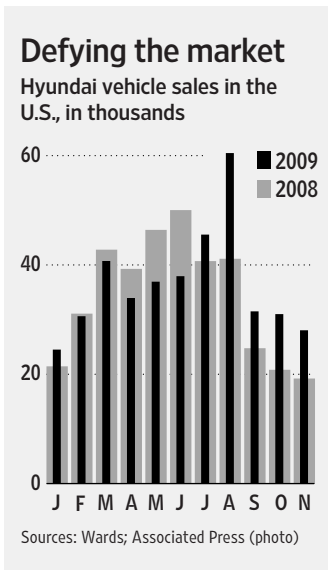
Through November, Hyundai sold 401,267 cars and light trucks in the U.S., up 6.2% from 2008 while the overall market fell 24%. Its sales represent 4.3% of the American market, up 1.2 points from a year ago—a big gain in an industry that frets over the tiniest shifts in share.

"I'm pretty pumped," said Doug Wilson, a Hyundai dealer in Jackson, Miss. Mr. Wilson's Hyundai sales are up 54% so far this year, in part because he used the space available after he lost a Dodge franchise to expand his Hyundai showroom.

Staying on such a steep growth path and gaining further market share are going to be a challenge, however, as in 2009 Hyundai benefited from several one-time factors.

This year's bankruptcy filings of **General Motors** Co. and **Chrysler Group** LLC prompted large numbers of their customers to look to other manufacturers, including Hyundai. But both GM and Chrysler now appear much more stable and aim to win back share in the coming year.

The recession and the U.S. government's "cash for clunkers" program also played into Hyundai's hands in 2009. With their incomes shrinking, many consumers stopped splurging on costly cars and looked for more moderately priced models with plenty of features—just what Hyundai offers.



Sources: Wards; Associated Press (photo)

Hyundai dealership in Danvers, Mass., during the 'cash for clunkers' boom in August.

In August, when the clunkers program was in full swing, Hyundai saw its sales surge 47%. Jeff Grady, 59, turned in his 2004 Mercury Marquis to a Hyundai dealer this summer and got a 2009 Hyundai Sonata. The sticker price: approximately $23,500. But the Sonata came with a $3,500 clunker rebate and additional matching Hyundai discounts, reducing the price by $7,000.

"The Japanese cars were another 10 to 15% higher," said Mr. Grady.

But the clunkers program has ended and the economic downturn appears to be easing, neither of them promising developments for Hyundai.

Hyundai, though, says the car industry has entered a "new normal," and contends that its frugal buyers represent what the average shopper in the market will be for years to come.

Years ago, many Americans steered away from Korean cars after early versions developed poor reputations for quality and reliability. But earlier this decade Hyundai improved quality and backed the move with one of the industry's longest warranties: 10 years or 100,000 miles (160,000 kilometers).

It also prospered by packing its vehicles with extras like leather seats, top-of-the-line stereo and additional airbags, but pricing them well below competing models from **Toyota Motor** Corp. and **Honda Motor** Co. Hyundai also built a plant in Alabama, allowing it to claim that its top-selling Sonata sedan is American-made.

Still, Hyundai faces challenges. One is that the resale values of its vehicles lag behind those of Asian competitors.

According to Automotive Lease Guide, 2010 Hyundais will hold 43.2% of their value after three years, compared to 52.3% for Honda, 49.5% for **Nissan Motor** and 49.4% for Toyota.

Hyundai's lower resale value stems in part from another challenge it faces: It relies more heavily on "fleet sales"—sales to car-rental agencies and other bulk customers—than do many competitors. Sales to rental agencies can reduce resale values because these customers typically buy the vehicles at a discount and then dump them on the market after as little as a year at prices below what a used-car dealer might charge.

In November, for instance, Hyundai's U.S. sales soared 46% from the depressed level of November 2008, but about 30% of these sales went to fleet buyers, according to a person familiar with the matter.

A Hyundai spokesman said the company doesn't detail its fleet sales, but acknowledged the portion of sales that went to fleet customers is "a bit higher" in 2009 than in the past.

At General Motors Co. and Chrysler Group LLC, fleet sales often make up a third or more of their monthly total. Hyundai's fleet mix is less than that of GM and Chrysler, the spokesman said.

Hyundai hasn't kept its U.S. prices artificially low by subsidizing them with profits from its strong sales in Korea and elsewhere, said John Krafcik, chief executive of Hyundai Motor America. In fact, Hyundai has steadily increased its pricing to align it with competitors, he said.

Excluding warranty value, a Hyundai now costs about 97% of what a comparably equipped Toyota does, he said.

Another way Hyundai is trying to gain attention is through new models. Its 2011 Sonata, due in February, has been completely redesigned. While not groundbreaking, the new Sonata is stylistically distinctive by Hyundai standards. It is larger as well, with abundant headroom and a bigger rear seat and trunk.

Hyundai has seven new or refreshed models coming in the next two years, including the Equus, a full-size luxury sedan that is the company's flagship vehicle abroad. Hyundai is hoping for a reception similar to what it received for the Genesis sedan, which was the surprise winner of the 2009 North American Car of the Year award in January.

Parts suppliers in U.S. auto industry turn around

By Matthew Dolan And Jeff Bennett

Auto-parts suppliers in the U.S. are making a surprising turnaround, defying fears earlier in the year that many would collapse amid the car industry's downturn and the bankruptcy filings of **General Motors** Co. and **Chrysler Group** LLC.

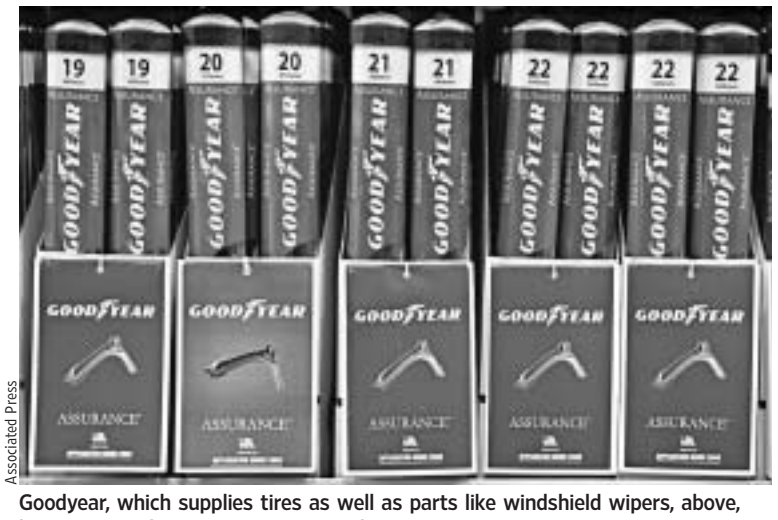
But quick restructurings, some through bankruptcy court, along with financial aid from the U.S. government and a brightening sales outlook for 2010 now have many suppliers looking up.

The stocks of **TRW Automotive Holdings** Corp., **BorgWarner** Inc., **ArvinMeritor** Inc. and **Goodyear Tire & Rubber** Co. still trade well below their 2007 levels, but the shares have soared since hitting lows back in March.

On Tuesday, TRW, a maker of brake, steering and electronic components, said it has raised $400 million in new loans, an accomplishment in a sector that had been all but locked out of new borrowing for most of the year.

Other suppliers on the mend include seat-maker **Lear** Corp., which reorganized in bankruptcy court. Its new stock started trading at $50.50 in November but is now near $70.

Dana Holding Corp., a maker of axles and drive shafts, slashed costs and is paying down debt, sold a piece of its business to a Mexican parts supplier and now expects a significant rise in earnings next year. Dana's stock declined to 19 cents in March but is now trading over $10.40.



Associated Press
Goodyear, which supplies tires as well as parts like windshield wipers, above, has seen its shares rise as parts makers expect a stronger 2010.

American Axle & Manufacturing Holdings Inc. has renegotiated its credit payments, booked new business and says it can now turn a profit even if 2010 U.S. auto sales only reach 11 million cars and trucks, which would still be a depressed level by historical standards. American Axle's stock is now hovering above $7.50, up from just 29 cents back in March.

"The recession forced all parts suppliers to make their cost structures very lean and now they are potentially positioned for explosive earnings growth as vehicle production gets back to normal," said Morningstar Inc. auto analyst Dave Whiston.

Earlier this year, many feared that the interdependent network of dozens of large suppliers supported by hundreds of small parts makers would struggle to stay in business as auto makers slashed production. Both GM and Chrysler shut down all of their North American plants for extended periods as part of their reorganizations under Chapter 11 of the U.S. Bankruptcy Code.

Some suppliers are still hurting. **Visteon** Corp., for example, is still restructuring under bankruptcy-court protection.

But widespread disaster across the industry was averted when government cash infusions and payment guarantees for GM and Chrysler kept the most important suppliers afloat.

Restructuring consultancy Grant Thornton International Ltd., for example, predicted in March that without a managed bankruptcy process, some 500 suppliers were at high risk of going out of business because of the cascading effect of reduced volumes and uncertainty around government support.

Indeed this year, 14 of the top 150 auto-parts suppliers declared bankruptcy. More than 40 smaller parts makers sought similar restructuring protection and dozens of others quietly shuttered their doors permanently, according to an industry group's tally.

Before filing for bankruptcy, GM made critical payments to suppliers early, which also helped cash-strapped companies avoid trouble.

Suppliers even weathered the summer when GM and Chrysler temporarily shut down factories for as many as three months to draw down their swollen inventories. Without the factories running, suppliers had no income. The government's cash-for-clunkers rebate program had the opposite effect, taxing suppliers to ramp up production quickly while it was still difficult to access the necessary capital because of tight credit markets.

This fall GM said it began paying direct-materials suppliers weekly instead of monthly in an effort to help struggling suppliers' cash flow and keep their doors open.

GM also said it would let suppliers retain a larger share of savings generated from approved cost reductions.

It has gone so well that GM is returning $140 million of the $290 million GM was loaned from the government's supplier bailout package. At its peak, GM's support program involved 375 suppliers, but only about 70 are now still enrolled.

Many companies are finding that managing the upturn could be more difficult than weathering the downturn. With auto makers looking to ramp up production, many suppliers are finding it challenging to secure the necessary raw materials and the crucial working capital required to restart production.

Still, even with the financial strides, the supplier sector faces a challenging 2010. Many suppliers are likely to continue to experience cash outflows in 2010 as a result of increases in working-capital requirements to meet higher production demand, according to Fitch Ratings.

MARKETS

Does golden pay for CEO sink stock?

Two new studies suggest that when chief executives get paid more, shareholders often end up earning less

By Jason Zweig

Heath Hinegardner

Why does it seem that it is always Christmas in corporate boardrooms? And how can investors tell whether those glittering pay packages are worth the cost?

The answer sounds obvious: Pay the boss more for good results now, and you should get even better results later. But the evidence for that is surprisingly weak, and two new studies even suggest that when CEOs get paid more, shareholders end up earning less.

THE INTELLIGENT INVESTOR

The first study, led by corporate-governance expert Lucian Bebchuk of Harvard Law School, looked at more than 2,000 companies to see what share of the total compensation earned by the top five executives went to the CEO. The researchers call this number—which averages about 35%—the "CEO pay slice."

It turns out that the bigger the CEO's slice of the pie, the lower the company's future profitability and market valuation. "These CEOs," Prof. Bebchuk says, "seem to be trying to grab more than they should."

Finance professor Raghavendra Rau of Purdue and two colleagues looked at CEO pay and stock returns for roughly 1,500 companies per year from 1994 through 2006. They found that the 10% of firms with the highest-paid CEOs produce stock returns that trail their industry peers by more than 12 percentage points, cumulatively, over the next five years.

Companies at the top of the pay pile, Prof. Rau concluded, award their CEOs an annual average of $23 million—but leave their shareholders poorer (relative to other companies in the same industry) by an average of $2.4 billion per year. Each dollar that goes into the CEO's pocket takes $100 out of shareholders' pockets.

Prof. Rau's team is still validating these findings, so regard them as provisional. But both studies are a reminder of a profound point: There may be no way to prove that paying CEOs more money leaves outside shareholders better off.

"Compensation changes so quickly, in so many ways, that it's one of the least stable variables in finance," says David Yermack, a finance professor at New York University. "And stock prices gyrate for reasons no one understands. These are such noisy variables that it's very hard to determine direct causation. You really need to know what you don't know."

Given the vast array of factors that affect business results and stock prices, it is extraordinarily difficult for the directors on a compensation committee to know whether the past results they are rewarding came from luck or skill. Nor can they reliably tell how much of the company's future performance should be attributed to those rewards. The truth, says Prof. Yermack, is unknown and may never be knowable.

Further muddying the waters: Many CEOs expect to be bought out of their interests in their former company when they are recruited to join another firm, as **Bank of New York Mellon** Corp. CEO Robert Kelly recently sought when he was a candidate for the top spot at **Bank of America**.

Mr. Kelly ultimately decided to stay at BNY Mellon. But when a CEO does get bought out in order to jump to a new ship, that "creates an expectation or baseline for future pay that's uncorrelated to the success of the new firm," says Harvard Business School management professor Rakesh Khurana.

Years ago, the great investor Benjamin Graham pointed out that directors shouldn't merely be independent, but also "businesslike." They must have an arm's-length relationship with management; they also should combine "good character and general business ability" with "substantial stock ownership." (They should have purchased most of their shares outright rather than getting them through option grants.)

The independent directors, Graham believed, should publish a separate annual report analyzing whether the business is "showing the results for the outside stockholder which could be expected of it under proper management." Executive pay should be part of that analysis.

The annual proxy statements that report on pay still fall short of what Graham advocated in 1951: a kind of interrogation in which directors are "called upon to justify...the generous treatment they are asking the stockholders to approve." Added Graham: "The stockholders are entitled to be told...just what are the excellent results for which these arrangements constitute a reward [and] by what analogies or other reasoning the board determined that the amounts accorded are appropriate."

Surely the financial crisis should have taught us all that we must acknowledge the extent of our ignorance. What is urgently called for in the CEO pay process, Prof. Yermack says, is "a great deal of humility." It's high time for corporate compensation committees, as well as investors, to start doubting whether the lavish pay packages that they endorse actually work.

intelligentinvestor@wsj.com

Activists return to Europe

By Dana Cimilluca

LONDON—Shareholders in Europe are getting more demanding, a sign they have regained their moxie after a bruising downturn.

In two recent cases, shareholders have spurned company-backed takeover offers. In another, they agreed to sell a company against its board's wishes. And in a purer example of so-called shareholder activism, hedge fund **Jana Partners** LLC built a stake in **TNT** NV and now plans to push for major changes at the Dutch mail company.

This month, public investors in **Dragon Oil** PLC voted down an offer for their shares from an Arab suitor, even though the bid was a 35% premium to where Dragon Oil's shares traded ahead of the deal news.

Last month, **Cisco Systems** Inc. capitulated to shareholder demands and offered a higher price for **Tandberg** ASA, a Norwegian videoconferencing company. Similar to Dragon Oil, Tandberg's board had backed Cisco's initial offer.

The financial crisis silenced some of the most high-profile shareholder activists, such as **The Children's Investment Fund Management** LLP, which after years of successful investment performance turned their focus inward following hefty losses and demands from some investors for their cash back. The last time Jana waged a campaign similar to its TNT push was in early 2008, before the depths of the financial crisis, when it successfully agitated for change at CNET Networks Inc., the U.S. online media company now owned by **CBS** Corp.

The resurgence of activism in its various forms could have a significant impact on how mergers and acquisitions develop in 2010. After one of the worst deal downturns in memory, shareholders are expected to play a big role in which deals get done—and which deals don't.

Resurgent activism also is one more sign that financial markets are getting healthier. "It is often said that activism is a bull-market phenomenon," says Pat Guerin, co-head of the European M&A group at UBS AG in London. Why? When financial markets are healthy, companies have more alternatives for investors to push for to boost their returns.

A big test of shareholder behavior should come early next year, when investors in **Cadbury** PLC are expected to decide whether to accept a takeover offer from **Kraft Foods** Inc. that now stands at roughly $16 billion.

Cadbury's board and management have vigorously opposed the bid, which they say undervalues the company. At this point, they appear to have the support of shareholders.

It is unclear precisely what percentage of the shares are in the hands of hedge-fund investors who often pile into a stock when a takeover appears imminent and are seen as more willing to sell for a quick profit. Cadbury claims the figure is less than 20%, which is unusually low for a deal target. That could bode well for efforts to fend off the approach from Kraft. But how the shareholder mix will evolve if Kraft raises its bid is an open question.

In the case of Tandberg, the company's shareholders panned Cisco's original $3 billion offer. It represented an 11% premium to where the stock had been trading on the eve of the bid. To win the deal, the U.S. networking giant was forced to raise its bid another 11%.

Shareholders of Dragon, which has oil-and-gas assets in the Caspian Sea, voted down an offer by **Emirates National Oil** Co. to buy the 49% of the company it didn't already own for nearly $2 billion because they said the price was too low. An independent panel of the company's board had voted unanimously to recommend the deal.

That isn't to say that shareholders are blocking all deals. In August, the overwhelming majority of **Venture Production** PLC shareholders accepted a roughly $2 billion takeover by **Centrica** PLC over the objections of the company's board. That forced the U.K. oil-and-gas company's board to shift its recommendation in favor of the deal at the last minute.

Bankers' wish list for IPOs: More tech, more diversity

By Lynn Cowan

If Wall Street had a wish list for next year's U.S. IPO market, it would read something like this: More deals from tech, a smattering of retail-store offerings and maybe a social networking site or two.

Analysts and bankers are preparing for more deals than the 31 of 2009 and a broader swath of industries. According to an analysis by **FTN** Equity Capital Markets, the U.S. IPO market generally has rebounded in lock-step with growth in gross domestic product as the economy comes out of recessions, with financial, health-care, consumer and technology sectors leading the way. Several tech and consumer-related deals, such as **Avago Technologies** Ltd., **Emdeon** Inc. and **rue21** Inc., helped reopen the markets in the second half of 2009.

IPO OUTLOOK

"We think 2010 will be more robust than we've seen in several years as issuers take advantage of improved equity markets and institutional investors look to put historically high cash positions to work in new-issue equity transactions," says Hank Erbe, president of FTN Capital Markets.

Expectations for more technology stocks encompass everything from networking companies to multi-sector plays, such as business service software that automates back-office functions for doctors. Some that are in the pipeline include hospital billing manager **Accretive Health** Inc. and Internet-based portfolio manager **Financial Engines** Inc.

While retail-store IPOs aren't expected to be nearly as prolific as tech stocks, there could be at least a half dozen in 2010 as private-equity firms seek to exit investments made in recent years; several could raise more than $1 billion apiece, says Gregg Nabham, vice chairman of equity capital markets at Bank of America Merrill Lynch.

No retail stores have filed IPO plans with the Securities and Exchange Commission.

"When the middle-class and affluent feel the effects of a recession like this, they tend to 'trade down' from high end to discount stores," he says. Successful IPOs in retail will "either be plays on the consumer trade-down or a unique situation where they are growing their businesses well even through a recessionary environment."

The advent of a social networking IPO such as Facebook, LinkedIn or Twitter could be transformative, analysts say. Though none has registered to go public, there has been speculation about whether this will be the year that one debuts.

MARKETS

Cocoa brings profits, theft

Ivory Coast farmers report increase in banditry as prices soar to highest levels in 30 years

By Ousmane Atta And John James

SOUBRE, Ivory Coast—The open-back cocoa truck comes to a halt at a thick bamboo barrier set up across the earthen track leading out of this town toward the village of Dioulabougou, deep in this country's cocoa orchards.

Six Dozos, a mystical group of traditional hunters, peer into the truck; locals here say they have the power to detect those up to no good. Recognizable by their brown outfits with colored tassels and amulets on the front, some believe the Dozos are invulnerable to bullets.

"We're here for your security, so please make a contribution to buy us a cup of tea," one hunter says to the driver, who hands over a few coins worth about a dollar.

The local community in the heart of Ivory Coast's cocoa belt has called upon the Dozo warriors for protection, paying them to watch over roads and paths.

The roads have become dangerous because cocoa prices, set thousands of miles away in the New York and London markets, have soared to their highest levels in 30 years. That means more wealth, but also more banditry.

Farm gate prices in Ivory Coast—responsible for about 40% of world cocoa production—have shot up 60% according to the BCC, the Ivorian cocoa-marketing board. That has brought a lot more cash to the early process of gathering cocoa.

Most Ivory Coast cocoa is grown on three- or four-hectare orchards by 700,000 families who depend on the soft commodity for their income. Often in remote locations, these orchards are generally miles from maintained roads in what just a few decades ago was untouched tropical rainforest.

After the cocoa is harvested, it is transported out of the bush along rough tracks that see little maintenance. Cocoa buyers, often Lebanese, in the regional towns send out their agents, known as *pisteurs,* to collect the beans in trips that generally last several days. Pisteurs, who conduct all transactions in cash, now head out on buying trips carrying more than $5,000, creating an inviting target for thieves.

"Robbers were present before these recent price rises, but now there's not a day or night when a farmer isn't attacked on a village bush road or forest hamlet," says Emmanuel N'Goran, a cocoa farmer in the San Pedro region.

The insecurity takes the edge off what should be a golden period for Ivorian cocoa farmers, who usually face high taxes and limited state assistance. "Obviously we're happy with the current prices, which mean we can buy things like pesticides and fertilizer," said Mr. N'Goran. "But at the same time the prices bring fear as well as joy because of the insecurity."

Farmers complain that the police often don't have the means or the motivation to patrol the cocoa areas, instead preferring to charge trucks to pass checkpoints near the main road. The police say there is little they can do until they have more vehicles and an improved road network.

"We can't deny that attacks have become very common...increasingly with more advanced weapons," says a police officer in the region. "Often we get calls for help but by the time we get there, the thieves have gone and often the thieves seem to get advance notice that we're on patrol."

Farmers are most vulnerable just after a sale, which is made obvious by the sudden presence of trucks in the area.

Many farmers now sleep in the forest for several days after a sale to avoid returning to their hamlets immediately with the cash. Dozo warriors add an extra level of security.

Agence France-Presse/Getty Images

Cocoa planters of the Gilbert campment in San Pedro, on the southern coast of Ivory Coast, break open cocoa pod shells.

'Hung' Parliament is latest risk for U.K.

By Neil Shah

Some investors are concerned that U.K. elections next year could lead to rare political deadlock that might stymie key fiscal overhauls and potentially spark a debt crisis that rattles global markets.

The issue: a "hung" Parliament. In that outcome, no party has a majority, giving the ruling party a weak hand to make what are widely seen as necessary changes.

David Cameron

But a little sand in the wheels of Britain's mother of all Parliaments may not be as harrowing as the fearmongers would have it.

Graham Secker, a stock analyst at Morgan Stanley in London, says Britain's political parties may be able to muddle toward fiscal reforms even if the election leads to a gridlock scenario. What's more, he argues, U.K. stocks could benefit if Britain experiences a mini-currency and government-debt crisis next year.

"In an extreme situation, a fiscal crisis could lead to some domestic capital flight, severe pound weakness and a selloff in U.K. government bonds," Mr. Secker and other Morgan Stanley analysts said in a recent note. "But U.K. equities may benefit," partly because a weaker pound would boost the internationally focused big stocks that trade in London, such as global bank **HSBC Holdings** PLC and miner **Rio Tinto** PLC.

Only 35% of the revenue pouring into FTSE 100-listed stocks comes from the U.K., with 43% coming from other developed regions and 22% from emerging markets, Morgan Stanley estimates. If the U.K.'s debt market hits a rough patch next year, the resilience of U.K. stocks could be a big reason to buy.

On Wednesday, the FTSE 100 index rose 0.8% to 5372.38, bringing gains for the year to 21%. Sterling was little changed at $1.5958.

A weaker pound, meanwhile, may be good news for the U.K. economy. Some investors are concerned about the British currency's recent performance, because it has dropped from the $1.70 it reached in early August. But the U.K. currency actually remains up about 9% in the year to date against the dollar.

Prime Minister Gordon Brown's Labour Party is required to call an election sometime before June. The Conservatives, led by David Cameron, are holding a fairly healthy margin in political polls, but quirks of the British electoral system make that lead less decisive than it appears. That has analysts debating the possibility of Britain's first hung Parliament since February 1974.

Gordon Brown

In the U.K., a government generally resigns when it is unable to pass major legislation. Unlike some other political systems, however, the U.K. doesn't require a prime minister to resign directly after an election that results in a hung Parliament.

A hung Parliament could result in a coalition government, which would be hard-pressed to enact big changes. Another possibility: A minority-led government would take over. But it might put a higher priority on holding another election to consolidate its support, rather than focusing on large reforms.

The prospect of political deadlock comes at a crucial time for the U.K. Credit-ratings firms and international investors want to see the U.K. raise taxes and cut spending to offset its weaker tax receipts and a budget deficit forecast to hit 12.6% of domestic economic output financial year that ends in April.

In May, credit-rating firm Standard & Poor's warned that Britain could lose its triple-A rating if it didn't produce a credible plan toward fiscal rectitude after next year's elections. In the event of a downgrade, international investors, who own roughly 30% of the U.K. government debt, would demand higher yields to keep buying U.K. bonds. That would boost the U.K. government's cost of borrowing, something the indebted Treasury would like to avoid.

The cost of insurance against a U.K. debt default is only slightly lower than that for a Portuguese default, even though Portugal lacks Britain's top-notch triple-A credit rating. (Britain's default insurance costs are, however, still only one-third that of Greece's.)

Debt sales offer a test for Treasury

[Ahead of the Tape]

By Mark Gongloff

The U.S. Treasury Department hits a jittery bond market with a fresh barrage of debt this week, raising the risk of higher interest rates—but only temporarily.

The Treasury will auction $118 billion in debt, starting with Monday's $44 billion offer of two-year notes, followed by $42 billion in five-year notes on Tuesday and $32 billion in seven-year notes on Wednesday.

The auctions come as the Treasury's borrowing costs are already rising. So far this month, the 10-year note yield has jumped from 3.2% to 3.8%, near this year's high.

Analysts expect a fairly smooth two-year auction, at least, though many bond traders are still on holiday. There is ample cash on bank balance sheets looking for short-term investments, and the Federal Reserve has assured that short-term rates will stay low for a long time.

The trouble could come with the sales of long-dated debt, providing fodder for those who think the Treasury is trying to cram too much supply into the market.

The problems could come with the other auctions, which will lock investors into lending the government money for longer stretches. That is an increasingly tougher sell.

Thin auction demand this week could push yields even higher. That would provide fodder for skeptics who think the Treasury is trying to cram the market with too much supply—$1.4 trillion this fiscal year, on top of $1.79 trillion in fiscal 2009—and that yields will spike to compensate investors for financing deep deficits.

But any spike in rates probably wouldn't last. When the 10-year note yield last crossed 3.8%, in August, bargain-hunters emerged, RBS Treasury strategist William O'Donnell says. The same thing could happen again.

Next year, Treasurys will be the biggest component of the U.S. bond market for the first time in a decade, says CRT Capital Group bond strategist David Ader. That will force fund managers who follow broad bond indexes to buy more of them. Hunkered-down U.S. households have already more than doubled their Treasury holdings in the past two years.

While Treasury issuance has soared, private borrowing has collapsed. Instead of lending, banks are taking the mountain of cash they are getting from the Fed and buying Treasurys. When private borrowing revives, then it will be time to worry about higher Treasury rates. There is no sign of that happening yet.

Bloomberg News

A man walks past a Bank of Tokyo -Mitsubishi UFJ branch in Tokyo.

Japanese bank leads with China debt sale

Bank of Tokyo-Mitsubishi UFJ gets approval to sell yuan bonds

By Atsuko Fukase
And Dinny McMahon

TOKYO—Bank of Tokyo-Mitsubishi UFJ's China banking unit has permission to issue yuan-denominated bonds on the interbank bond market, the first time a foreign commercial bank has received approval to sell bonds in China.

China has been promoting a greater role for its tightly controlled currency, the yuan, by allowing it to be used for international trade and gradually allowing foreign firms to raise funds in yuan to meet their domestic funding needs.

Bank of Tokyo-Mitsubishi UFJ, **Mitsubishi UFJ Financial Group** Inc.'s banking unit, didn't say how much its China unit plans to raise or when it plans to sell the bonds.

Foreign banks in China generally aren't in dire need of new capital. Even as Chinese banks embarked upon one of the greatest credit expansions in history, foreign banks have scaled back their lending in China.

When HSBC Holdings sold yuan-denominated bonds in Hong Kong for the first time in August it said it didn't need the capital. Bank of East Asia sold yuan bonds in Hong Kong around the same time.

Bank of Tokyo-Mitsubishi UFJ said Friday that issuing yuan-denominated bonds would enable it to respond to its customers' loan demand for the medium to long term.

Until now limited fund-raising options have limited the scope for foreign banks to expand their lending in China. Strict cross-border capital controls have constrained their overseas parents from injecting funds, and government rules limiting the opening of new branches has capped deposit growth.

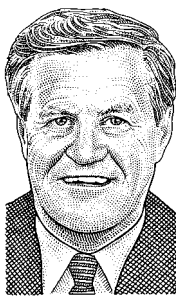
Beijing first allowed foreign financial institutions to sell yuan-denominated bonds in China in 2005 when the Asian Development Bank and the World Bank's International Finance Corp. sold the first Panda bonds. Earlier this month, the ADB issued a second batch of bonds after waiting more than a year for government approval.

How the overhaul of derivatives died

By Randall Smith
And Sarah N. Lynch

Lobbying by Wall Street has blunted efforts to step up regulation on derivatives trading by carving out exceptions or leaving the status quo in place.

Derivatives took blame for some of the worst debacles of the financial crisis. But a year after regulators and critics began calling for an overhaul in the way they are traded, some efforts have been shelved and others have been watered down.



Collin Peterson

The two main issues concerning regulators were trading and clearing of swaps, which allow investors to bet on or hedge movements in currencies, interest rates and many other things. Swaps generally trade privately, leaving competitors and regulators in the dark about the scope of their risks. In November 2008, the chairman of the Senate Agriculture Committee proposed forcing all derivatives trading onto exchanges, where their prices could be publicly disclosed and margin requirements imposed to insure that participants could make good on their market bets.

But a financial-overhaul bill passed by the House of Representatives on Dec. 11 watered down or eliminated these requirements. The measure still allows for voice brokering and allows dealers to use alternatives to public exchanges.

A lawyer for one big Wall Street dealer said in an interview that the rollback from the first proposals in Congress was the result of an "educational" process by dealers and customers that resulted in "a grudging recognition" that many uses of derivatives didn't fit such a strict approach. At one point, House agriculture chairman Collin Peterson (D., Minn.) said he suspected dealers had dispatched their customers to lobby Capital Hill.

For Wall Street, switching to exchanges would have cut their profits in a lucrative business. "Exchanges are anathema to the dealers," because the resulting added price disclosure "would lower the profits on each trade they handle, and they would handle many fewer trades," said Darrell Duffie, a finance professor at Stanford business school.

Clearing is considered important by regulators because it requires parties to a trade to post margin or collateral meant to ensure that each side can absorb losses if the trade moves against them. With derivatives, often little margin was required, allowing risks to pile up. Another issue that emerged with the failure of Lehman Brothers was whether such margin should be held in central clearinghouses. Exchange trading usually involves clearing with margin.

Dealers persuaded lawmakers to make exemptions to the rules for some customers, including those on foreign-exchange contracts, hedging by "end users" such as energy firms and airlines, and activities to offset "balance sheet risk," said Adam White, derivatives analyst at White Knight Research & Trading in Atlanta.

Mr. White says the Dec. 11 financial-reform bill will exempt nearly half of the $600 trillion in outstanding derivatives transactions from clearing requirements.

In an interview, House Financial Services Committee Chairman Barney Frank, who led efforts to craft the bill, defended the legislation, saying its clearing and trading provisions would require greater disclosure of trades and resulting risks, and give regulators more power to monitor and manage such risks.

Wall Street executives say requiring end users to post additional margin could boost costs.

Some credit-default swaps clearing has already begun this year at the **IntercontinentalExchange** Inc., known as ICE, and **CME Group** Inc. The biggest derivative clearing operation, **LCH Clearnet Group** Inc. in London, already clears about one-third of roughly $200 trillion in interdealer interest-rate swaps.

—Jacob Bunge contributed to this article.

Hedge-fund clones pull in cost-conscious investors

By Eleanor Laise

Wall Street is trying to lure investors with investment vehicles designed to deliver hedge-fund-like returns without hedge-fund fees or hassles. But they have their own drawbacks.

These hedge-fund clones, called replicators, aim to mimic returns of broad hedge-fund indexes using easily traded instruments like exchange-traded funds and futures contracts. Some are set up as mutual funds or ETFs; others as separate accounts and other vehicles.

Investors, many weary of hedge funds' high fees and long lock-up periods, are diving into replicators. **Goldman Sachs Group**, which launched a clone in 2007, now has roughly $2 billion tracking its replicator. **State Street** Corp. entered the replication business around the same time and now has more than $400 million in these products. Even start-up money manager IndexIQ has about $200 million in replication assets.

Investors are likely to hear more about clones in the coming months. **Credit Suisse Group** plans to launch two new clone indexes in the next few months, while Goldman Sachs is seeking to expand distribution of its Absolute Return Tracker replication fund through 401(k) plans. And early last month, State Street in a regulatory filing sought permission to launch a hedge replication ETF.

Some pension plans, like the Swedish government's AP7 fund, are dumping funds that own hedge funds in favor of replicators. And even some "funds of hedge funds" are investing in the clones.

Cost considerations and high-profile hedge fund blow-ups drove the AP7 fund to invest in a clone last year, said Richard Grottheim, chief investment officer. Through a fund of funds, AP7 invested in **Amaranth Advisors**, which collapsed after bad natural-gas bets. In clones, "you don't have that risk," Mr. Grottheim said.

The firms offering replication products say they will deliver hedge-fund-style returns and diversification in a low-fee, transparent, easily traded package. Many charge fees of 1% to 2% of assets annually. Hedge funds, by comparison, often charge a 2% management fee, 20% of any gains and other expenses.

"We view what we're doing as what Jack Bogle did at Vanguard in the 1970s" when he popularized index mutual funds, said Andrew Lo, a finance professor at the Massachusetts Institute of Technology and manager of Natixis ASG Global Alternatives, a replicator mutual fund.

Though the hedge-fund clones have a short track record, it isn't clear that they can deliver on their promises. Since they hold easily traded instruments like stocks, they often behave a lot like the traditional investments already held by most investors. Being limited to liquid investments, clones also may lag behind real hedge funds, which get some of their returns from holding hard-to-trade assets. And though most clones have so far kept pace with hedge-fund indexes, they have done so with more volatility, according to recent academic research.

Clones' popularity is on the rise after a tumultuous year for investors in hedge-funds.

The HFRI Fund Weighted Composite Index, a broad hedge benchmark, fell 18% last year, and investors yanked a record $155 billion from the funds, according to data provider Hedge Fund Research.

While most clones have so far generally kept pace with broad hedge-fund indexes, their performance has been all over the map. Between March 2008 and Sept. 30 of this year, clones studied by researchers at Haute Ecole de Gestion in Geneva and Bank Julius Baer & Co. delivered annualized returns ranging from -21% to 6%. And some clones this year have sharply underperformed broad hedge indexes.

The underperformance is due to the fund's built-in risk controls and the fact that it couldn't hold some less-liquid assets like distressed credit, said Bailey Bishop, vice president at State Street Global Advisors.

Being restricted to easily traded holdings, replicators mightn't capture a big chunk of hedge-fund performance. Anywhere from 10% to 60% of hedge-fund returns may come from a premium earned by holding illiquid assets, said Mr. Lo, the Natixis fund manager.

Bond veteran's bet: inflation

Savvy manager Tedford sees price pressures building in U.S.; time to buy timber and oil?

By Jeff D. Opdyke

Bill Tedford is encouraging investors to bet against remarks by U.S. Federal Reserve Chairman Ben Bernanke, who told a group of Washington-area business leaders this month that "inflation could move lower from here."

For more than 20 years, Mr. Tedford has run a benchmark-beating bond portfolio for Little Rock, Ark.,-based **Stephens** Inc. And though Mr. Bernanke sees slack in the economy that could push inflation down, Mr. Tedford says inflation already is evident in the consumer-price index and will lurch higher in 2010 and 2011.

He and Stephens have begun encouraging clients to invest more money in timber, oil and gas, agricultural commodities and industrial and precious metals—historically good places to be amid rising inflation.

"The alarming part," Mr. Tedford says, "is the possibility that inflation could explode beyond the numbers we're looking at."

Across the U.S. these days, debate rages about whether fiscal policy has primed the country for a bout of inflation—and just how bad any inflation might be. Count Mr. Tedford among the group of inflation bugs who worry that all the dollars now sloshing around the economy can only have an inflationary outcome.

Also in his camp: John Paulson, the hedge-fund manager who made billions betting mortgage-backed securities would implode. Mr. Paulson, who is starting a new gold fund, told an investment conference earlier this fall that the nation's exploding monetary base is a harbinger of inflation.

For 20 years Mr. Tedford has managed a portfolio now amounting to about $1.25 billion, including $800 million in government bonds. During that time, his audited performance has topped the benchmark Barclays U.S. Intermediate Government Bond Index in the one-, three-, five-, 10-, 15- and 20-year periods. In the 12 months ended Sept. 30, his 8.87% return outpaced the index by more than 2.6 percentage points.

Because his focus is riskless U.S. government debt, Mr. Tedford's only concern is federal economic policy and the outlook for inflation. And these days, the model he has relied on for two decades insists that inflation is bubbling to the surface.

The key data point in Mr. Tedford's model: the monetary base, basically money circulating through the public or reserves banks on deposit with the Federal Reserve. Over long sweeps of time, he says, inflation closely tracks increases in the monetary base that exceed economic growth.

Rick McFarland for The Wall Street Journal

Bill Tedford, shown on the trading floor at Stephens on Dec. 9, says inflation is already evident.

For instance, he notes, in the 40 years to 2007 the U.S. monetary base grew at 7.08% a year. Gross domestic product, meanwhile, grew at 3.04%. The resulting surplus monetary-base growth of 4.04% closely matches CPI and the personal-consumption-expenditures price index, another measure of overall inflation.

In the wake of the U.S.-inspired global financial crisis, the nation's monetary base has ballooned to more than $2 trillion at the end of November from less than $850 million in August 2008, before the crisis began, according to Federal Reserve data. Even subtracting the more than $1 trillion in excess reserves, the nation's monetary base has grown by more than 11% in the past 15 months, "one of the highest changes I've ever measured." Mr. Tedford says.

U.S. GDP during that period shrank by about 2%.

"The weight of that sharply increased monetary base points to significant inflation in 2010 and into 2011," he says.

His model "anticipates that trailing 12-month CPI goes positive by the end of this year, up to 3% or 4% by the end of 2010, and then toward 5% or 6% by mid-2011." And if some of the excess reserves start leaking into the banking system, as Mr. Tedford thinks is happening, "inflation could go much higher."

At an investment conference in September, Mr. Paulson, the hedge-fund manager, told attendees the monetary base has enlarged at a historic rate, and that his play is to own gold, which is likely to rise even more than it already has if inflation takes off.

Though there is a gap between a rising monetary base and inflation, Mr. Paulson told the crowd that the economy can't grow fast enough to absorb all the money now in the system and, thus, inflation is the most likely result. A spokesman for Mr. Paulson declined to comment.

Already, Mr. Tedford says, inflation is apparent. While the unadjusted year-to-year CPI reading for October showed prices sank by 0.2%, the year-to-date change since January indicates prices are up more than 2.3%.

Not all economists buy into Mr. Tedford's thesis. "You cannot simply look at monetary base and come to a conclusion about inflation," says Sung Won Sohn, economics professor at California State University Channel Islands. Though the monetary base is up, Dr. Sohn notes that the velocity of money—the rate at which currency circulates in an economy—is down, meaning price pressures are low because money is changing hands more slowly.

Andrew Tilton, senior economist at Goldman Sachs, says that while monetary base can play into inflation, "it's banks' willingness to lend, and private-sector demand for credit" that drives money in circulation. "The bottom line is that it takes a long time for monetary base to translate into inflation, and by then the Fed will be in tightening mode."

To be sure, Mr. Tedford's model has had its disappointments. In summer 2004 it foresaw inflation as the Fed began raising interest rates from around 1%. Yet Treasury bonds acted squirrelly and fell rather than rose, as they had historically done.

For two years Mr. Tedford's bond portfolio trailed its benchmark by as much as 1.2 percentage points—"a very painful period for us," he says. "The model was right about inflation, but the interaction between inflation and interest rates didn't follow the norms."

Nevertheless, he says the model "has been extraordinarily accurate in the last 20 years [and] is responsible for our track record against the benchmark."

In his own portfolio, Mr. Tedford has begun shorting 30-year Treasurys, expecting the prices to fall as interest rates begin to rise. For clients, however, Stephens is encouraging the use of exchange-traded funds to own exposure to real assets.

Mr. Tedford says a 5% or 10% position overall "is big enough to protect a larger portfolio."

Among ETFs, Stephens likes the **U.S. Gasoline Fund**, the **iShares Dow Jones U.S. Oil & Gas Exploration & Production Index**, **SPDR Gold Trust**, **PowerShares DB Base Metals Fund** and the **PowerShares DB Agriculture Fund**. The firm also likes **Plum Creek Timber** Co.

Though Treasury inflation-protected securities, or TIPS bonds, would seem a natural bet, Mr. Tedford says his group just this month sold off its TIPS investments. Real yields on TIPS are barely above 1% now and Mr. Tedford expects those yields will increase as inflation mounts, hurting prices, which move in the opposite direction.

The likely result: "The return on your TIPS could fall 10% or 15%," basically wiping out the bond's inflation protection.

Vietnam acts to ease currency stress

By Nguyen Pham Muoi

HANOI—Vietnam's prime minister has asked seven major state-owned companies to sell all of their foreign-currency deposits to banks immediately, stepping up efforts to relieve relentless pressure on the country's currency.

PetroVietnam, **Vinacomin**, **Vinafood 1**, **Vinafood 2**, **Lilama**, **Vinachem** and **Southern Airports** Corp. will have to sell their foreign-currency deposits to banks, buying foreign currencies only when they are needed, the government said in a statement Thursday. It gave no further details.

The move is aimed at reducing the hoarding of U.S. currency, which has been sought as a store of wealth in Vietnam's inflation-prone economy and amid concerns about the outlook for the dong.

Deficits in the government's budget and trade account together with signs that inflation is picking up again have undercut confidence in the dong, which the government tightly controls. This forced Hanoi last month to devalue the currency for the second time in two years, but the dollar still fetches a large premium on the black market.

The gap between the black market and official exchange rates may narrow in coming days if the state firms follow Prime Minister Nguyen Tan Dung's request. Major state-owned companies together hold deposits of $1.9 billion, which is expected to be more than enough to meet the needs of Vietnamese importers until the Lunar New Year holidays in mid-February, according to state media.

The prime minister asked seven state-owned firms to sell their foreign-currency deposits to banks.

A shortage of hard currency at Vietnam's banks has been a headache for importers, which need dollars to buy foreign goods. By prodding state companies to let go of their dollars, Hanoi aims to make foreign exchange more readily available at official rates.

An executive with **Vietcombank**, the country's largest trader of foreign currencies, said the government's latest move will help stabilize the exchange rate among the banks as well as the free market, because the companies will supply large volumes of dollars to the domestic market.

"If the authorities keep doing two things—increasing the monitoring to eliminate speculation in the free market and pumping more dollars to the banks—they will have a stabilized market," the executive said.

She ruled out the possibility that the government will have to devalue the dong again soon, noting that capital inflows such as remittances and foreign aid remain strong.

Vietnam increased the official dollar exchange rate by 5.4% to 17,961 dong in late November.

The State Bank of Vietnam kept its official dollar/dong rate unchanged at 17,941 Thursday for the 10th day in a row. The dollar's exchange rate in the black market was 19,350.

BlackRock plans to acquire Rusal shares in IPO

By Alexander Kolyandr

MOSCOW—Asset-management firm **BlackRock** Inc. is planning to buy shares in Russian aluminum giant **UC Rusal** during the company's initial public offering, people familiar with the matter told Dow Jones Newswires on Thursday.

Rusal's board has approved the shares' pricing at the IPO, based on the valuation of the company between $16 billion and $22 billion, one of the people said. Rusal plans to raise about $2 billion from selling a 10% stake in Hong Kong and Paris to reduce its debt burden. The IPO is likely to happen in late January.

Rusal gained listing approval from Hong Kong's Securities and Futures Commission on Dec. 21 on the condition that the IPO wouldn't have a retail tranche, in a bid to "protect" Hong Kong's small investors from the complexities of the deal.

The participation of a big U.S. fund would help allay concerns about the IPO. Until now, only Russian state-controlled banks indicated that they would buy stakes in Rusal.

Russian state development bank **Vneshekonombank**, or VEB, which provided Rusal with a $4.5 billion bailout loan in 2008, said it is planning to buy as much as 3% of the IPO. State-controlled OAO **Sberbank** also said it may participate in the IPO.

Dollar rebound

Currency looks poised for more gains in '10

By Bradley Davis

A resurgent dollar is likely to power through to 2010 with its uptrend intact, as a steadily improving economy leads investors to believe U.S. interest rates will increase sooner than had been expected.

The demand for riskier currencies has broken down as the year has come to an end, with the dollar now gaining on positive U.S. data. As the U.S. economy continues to show strength, the dollar stands to strengthen even more, analysts said.

CURRENCY MARKETS

A recent Dow Jones Newswires survey of more than 20 banks and foreign-exchange houses showed that analysts expect the euro to trade at $1.43 and the dollar at 92.5 yen through the end of 2009. The common currency is forecast to fall to $1.42 by June 30 and to $1.40 by the end of 2010, according to the survey. The dollar is expected to strengthen to 95 yen in six months and to 100 yen in 12 months, the survey's median forecasts showed.

"What we've seen for the better part of 2009 is the market somewhat overly pessimistic on the dollar," said Omer Esiner, senior market analyst at Travelex Global Business Payments in Washington.

Late Friday in New York, in thin global currency trading with most markets closed for the Christmas holiday, the dollar was at 91.19 yen from 91.58 yen late Thursday. The euro was at $1.4397 from $1.4373. The U.K. pound was at 1.5964 from 1.5956.

Currencies could trade erratically this week because of low liquidity amid thin holiday trading, analysts said. That could lead to "bizarre trading patterns," according to Camilla Sutton of Scotia Capital in Toronto.

Markets in the U.K. and Canada will be closed Monday for Boxing Day and virtually all global markets will be shut Jan. 1, with many closed or closing early on Dec. 31.

A new year should bring a new trading pattern for the dollar, many analysts predict. Through a good part of 2009, investors often sold the dollar after positive economic news in favor of riskier, higher-yielding assets. They then did the opposite if worries re-emerged.

"The question heading into 2010 is whether the dollar has completely broken its negative correlation with risk-seeking," said Geoffrey Yu, a currency strategist with UBS in London.

Investors will pay close attention to the Jan. 8 U.S. nonfarm-payrolls report—the key indicator of the health of the labor market, which is seen as one of the most important gauges of economic recovery.

The dollar also will benefit from continued concerns over sovereign debt in the euro zone, particularly in Greece, Ireland and Spain, analysts said, along with the deteriorating U.K. fiscal situation.

Exporters pull Nikkei lower; Softbank rises

By Juro Osawa

TOKYO—Tokyo stocks fell Friday as exporters like **Toyota Motor** and **Canon** succumbed to profit-taking after leading the market's recent rally, while volume fell sharply due to the Christmas holiday.

The Nikkei Stock Average of 225 companies declined 0.4% to 10494.71, snapping a three-day winning streak over which the index had added 3.7%. Volume was anemic at only about 1.2 billion shares, the lowest level for a full trading day in 2009.

ASIAN-PACIFIC STOCKS

"The market gained quite sharply recently, so it was time for a break," said Daiwa Securities SMBC market analyst Yumi Nishimura.

The dollar's firmness against the yen limited the market's downside, however. The lack of profit-taking pressure suggests that some of the buying over the past three sessions may have originated from domestic pensions and other long-only funds, as opposed to shorter-term investors, said Traders Securities manager Tamotsu Numazaki.

"Whether the Nikkei can test further upside beyond 10,500 in coming sessions is mostly up to dollar-yen movements," said Meiwa Securities senior market analyst Masayoshi Yano.

Among major exporters, Toyota Motor fell 1%, while **Nissan Motor** lost 1.1% and Canon dropped 1.7%.

SMBC Friend Research Center analyst Shigeru Matsumura said the current exchange-rate level is positive for Japan's auto sector, noting that major auto makers' earnings forecasts for the fiscal second half are based on currency repatriation levels lower than seen today.

Oil developers were higher after crude futures extended overnight gains. **Inpex** added 0.7% and **Japan Petroleum Exploration** rose 0.5%.

Notable outperformers among heavyweights included mobile-phone carrier **Softbank**, which rose 1.6%. Retail investors bought the stock on growth in its cellphone subscriptions and solid per-user revenue, market observers said. Softbank sells Apple's iPhone in Japan.

For the week, the Nikkei notched a gain of 3.5%.

FUND SCORECARD

Japan Small/Mid-Cap Equity

Funds that invest primarily in the equities of small- and mid-cap Japansese companies. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 24, 2009

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
4	**M&G Japan Smaller Companies A EUR**	M&G Group	EUR	United Kingdom	**29.63**	30.70	-1.96	-4.69
1	**BDT Invest Japanese Sm Comp A £**	BDT Invest LLP	GBP	Ireland	**29.57**	27.54	-23.64	-8.51
3	**AXA Framlington Japan Smlr Coms**	AXA Investment Managers UK Ltd.	GBP	United Kingdom	**24.36**	25.79	-7.02	NS
NS	**Fidelity Japanese Values**	FIL Investments International	GBP	United Kingdom	**18.30**	24.54	-16.62	-6.83
4	**Henderson Horizon Japanese Smlr Coms A2**	Henderson Global Investors Ltd.	USD	Luxembrg	**17.74**	21.59	1.12	-0.41
NS	**SPARX Japan Smaller Companies Instl**	SPARX Asset Management Co., Ltd.	JPY	Ireland	**15.26**	18.72	-6.38	NS
3	**Yuki Mizuho Japan Sm Cap Inc**	Yuki Management </td> Research (YMR)	JPY	Ireland	**14.74**	18.02	-16.33	-4.70
3	**Threadneedle Jap Sm Cos Inst Net GBP**	Threadneedle Investment Services Ltd	GBP	United Kingdom	**12.78**	17.99	-8.12	-6.25
1	**SGAM Fund Eqs Japan Small Cap A**	Société Générale Asset Management	JPY	Luxembrg	**16.64**	17.46	-11.33	-10.44
4	**Swisscanto (Lux) Eq S/M Japan B**	Swisscanto (LU) EF Management Co. S.A.	JPY	Luxembrg	**12.06**	17.12	0.41	1.94

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
London EC1Y 1HQ United Kingdom
www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
Phone: +44 (0)203 107 0038; **Fax**: +44 (0)203 107 0001

Advertisement

INTERNATIONAL INVESTMENT FUNDS [Search by company, category or country at asia.WSJ.com/funds]

MORNINGSTAR®

Data as shown is for information purposes only. No offer is being made by Morningstar, Ltd. or this publication. Funds shown aren't registered with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies. All performance figures are calculated using the most recent prices available.

AHW
the relaxed way to invest

■ AHW CAPITAL MANAGEMENT
Tel (+49) 1805 - 23 82 82
www.ahw-capital.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	12/23	EUR	54.53	21.0	25.1	-27.9

AllianceBernstein

■ ALLIANCE BERNSTEIN
www.alliancebernstein.com/investments Tel. +800 2263 8637

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Am Eq Blend A	OT	OT	LUX	12/23	USD	10.38	26.4	32.2	-15.7
Am Eq Blend B	US	EQ	LUX	12/23	USD	9.75	25.2	30.9	-16.5
Am Growth A	US	EQ	LUX	12/23	USD	31.11	35.9	40.8	-7.0
Am Growth AX	US	EQ	LUX	12/23	USD	33.57	36.6	41.6	-6.5
Am Growth B	US	EQ	LUX	12/23	USD	26.16	34.5	39.4	-8.0
Am Growth C	US	EQ	LUX	12/23	USD	28.15	35.3	40.2	-7.4
Am Growth I	US	EQ	LUX	12/23	USD	34.47	36.9	41.9	-6.3
Am Income A	US	BD	LUX	12/23	USD	8.43	24.4	26.0	5.4
Am Income A2	US	BD	LUX	12/23	USD	19.02	25.0	26.0	5.5
Am Income A2	OT	OT	NA	12/23	HKD	147.48	NS	NS	NS
Am Income AT	OT	OT	NA	12/23	HKD	65.44	NS	NS	NS
Am Income AT	US	BD	LUX	12/23	USD	8.44	24.9	26.0	5.4
Am Income B	US	BD	LUX	12/23	USD	8.43	23.5	25.0	4.6
Am Income B2	US	BD	LUX	12/23	USD	16.40	24.1	25.2	4.7
Am Income B2	OT	OT	NA	12/23	HKD	127.17	NS	NS	NS
Am Income BT	OT	OT	NA	12/23	HKD	65.83	NS	NS	NS
Am Income BT	US	BD	LUX	12/23	USD	8.49	24.2	25.2	4.7
Am Income C	US	BD	LUX	12/23	USD	8.43	23.8	25.4	4.9
Am Income C2	US	BD	LUX	12/23	USD	24.38	24.5	25.5	5.0
Am Income I	US	BD	LUX	12/23	USD	8.43	25.1	26.8	6.1
Am Value A	US	EQ	LUX	12/23	USD	8.58	19.0	25.4	-14.7
Am Value B	US	EQ	LUX	12/23	USD	7.90	17.7	24.2	-15.5
Am Value C	US	EQ	LUX	12/23	USD	8.59	18.5	25.0	-15.0
Am Value I	US	EQ	LUX	12/23	USD	9.24	20.0	26.6	-13.9
Emg Mkts Debt A	GL	BD	LUX	12/23	USD	15.56	43.5	44.5	7.7
Emg Mkts Debt A2	GL	BD	LUX	12/23	USD	20.08	44.3	44.6	7.7
Emg Mkts Debt AT	GL	BD	LUX	12/23	USD	15.66	44.3	44.6	7.7
Emg Mkts Debt B	GL	BD	LUX	12/23	USD	15.56	42.2	43.2	6.6
Emg Mkts Debt B2	GL	BD	LUX	12/23	USD	19.34	42.8	43.2	6.6
Emg Mkts Debt BT	GL	BD	LUX	12/23	USD	15.64	42.8	43.2	6.6
Emg Mkts Debt C	GL	BD	LUX	12/23	USD	15.56	42.9	43.9	7.2
Emg Mkts Debt C2	GL	BD	LUX	12/23	USD	19.73	43.6	43.9	7.2
Emg Mkts Debt I	GL	BD	LUX	12/23	USD	15.56	44.1	45.2	8.2
Emg Mkts Growth A	GL	EQ	LUX	12/23	USD	33.88	69.1	74.8	-14.2
Emg Mkts Growth B	GL	EQ	LUX	12/23	USD	28.72	67.5	73.0	-15.0
Emg Mkts Growth C	GL	EQ	LUX	12/23	USD	29.37	68.3	74.0	-14.6
Emg Mkts Growth I	GL	EQ	LUX	12/23	USD	37.55	70.4	76.2	-13.5
Eur Growth A	OT	OT	LUX	12/23	USD	9.96	24.8	29.9	-18.5
Eur Growth A	OT	OT	LUX	12/23	EUR	6.95	24.8	29.9	-18.5
Eur Growth B	OT	OT	LUX	12/23	EUR	6.25	23.5	28.6	-19.3
Eur Growth B	OT	OT	LUX	12/23	USD	8.96	23.5	28.6	-19.3
Eur Growth C	EU	EQ	LUX	12/23	EUR	5.26	24.1	29.2	-18.9
Eur Growth I	OT	OT	LUX	12/23	USD	10.85	25.5	31.0	-17.9
Eur Growth I	OT	OT	LUX	12/23	EUR	7.57	25.5	31.0	-17.9
Eur Income A	OT	OT	LUX	12/23	EUR	6.61	39.1	40.0	3.9
Eur Income A	OT	OT	LUX	12/23	USD	9.47	39.1	40.0	3.9
Eur Income A2	OT	OT	LUX	12/23	EUR	12.88	39.8	40.2	4.0
Eur Income A2	OT	OT	LUX	12/23	USD	18.46	39.8	40.2	4.0
Eur Income AT	EU	BD	LUX	12/23	EUR	6.63	39.8	40.1	4.0
Eur Income B	OT	OT	LUX	12/23	EUR	6.61	38.3	39.1	3.2
Eur Income B	OT	OT	LUX	12/23	USD	9.47	38.3	39.1	3.2
Eur Income B2	OT	OT	LUX	12/23	EUR	11.98	38.8	39.0	3.2
Eur Income B2	OT	OT	LUX	12/23	USD	17.17	38.8	39.0	3.2
Eur Income BT	EU	BD	LUX	12/23	EUR	6.63	39.0	39.2	3.3
Eur Income C	OT	OT	LUX	12/23	EUR	6.61	38.6	39.4	3.4
Eur Income C	OT	OT	LUX	12/23	USD	9.47	38.6	39.4	3.4
Eur Income C2	OT	OT	LUX	12/23	EUR	12.84	39.3	39.4	3.5
Eur Income C2	OT	OT	LUX	12/23	USD	18.40	39.3	39.4	3.5
Eur Income I	OT	OT	LUX	12/23	EUR	6.61	39.7	40.7	4.5
Eur Income I	OT	OT	LUX	12/23	USD	9.47	39.7	40.7	4.5
Eur Strat Value A	OT	OT	LUX	12/23	EUR	8.45	21.4	27.8	-22.1
Eur Strat Value A	OT	OT	LUX	12/23	USD	12.11	21.4	27.8	-22.1
Eur Strat Value I	OT	OT	LUX	12/23	EUR	8.65	22.3	28.9	-21.5
Eur Strat Value I	OT	OT	LUX	12/23	USD	12.40	22.3	28.9	-21.5
Eur Value A	OT	OT	LUX	12/23	EUR	9.13	25.4	31.9	-19.0
Eur Value A	OT	OT	LUX	12/23	USD	13.08	25.4	31.9	-19.0
Eur Value B	OT	OT	LUX	12/23	USD	12.04	24.1	30.6	-19.8
Eur Value B	OT	OT	LUX	12/23	EUR	8.40	24.1	30.6	-19.8
Eur Value C	OT	OT	LUX	12/23	USD	12.64	24.6	31.3	-19.4
Eur Value C	OT	OT	LUX	12/23	EUR	8.82	24.6	31.3	-19.4
Eur Value I	OT	OT	LUX	12/23	USD	15.10	26.2	33.1	-18.4
Eur Value I	OT	OT	LUX	12/23	EUR	10.54	26.2	33.1	-18.4
GI Balanced (Euro) A	OT	OT	LUX	12/23	USD	16.41	20.8	24.3	-11.6
GI Balanced (Euro) B	OT	OT	LUX	12/23	USD	15.99	19.6	23.2	-12.5
GI Balanced (Euro) C	OT	OT	LUX	12/23	USD	16.29	20.6	24.1	-11.8
GI Balanced (Euro) I	OT	OT	LUX	12/23	USD	16.71	NS	NS	NS
GI Balanced A	US	BA	LUX	12/23	USD	16.46	23.9	27.5	-10.7
GI Balanced B	US	BA	LUX	12/23	USD	15.65	22.6	26.2	-11.7
GI Balanced C	OT	OT	LUX	12/23	USD	16.22	23.5	27.1	-11.0
GI Balanced C	OT	OT	LUX	12/23	EUR	11.32	23.5	27.1	-11.0
GI Balanced I	US	BA	LUX	12/23	USD	17.07	24.7	28.4	-10.1
GI Bond A	US	BD	LUX	12/23	USD	9.27	12.6	13.3	4.8
GI Bond A2	US	BD	LUX	12/23	USD	16.04	12.9	13.3	4.8
GI Bond A2	OT	OT	NA	12/23	HKD	124.37	12.9	13.3	4.8
GI Bond AT	OT	OT	LUX	12/23	HKD	71.88	12.9	13.2	4.8
GI Bond AT	US	BD	LUX	12/23	USD	9.27	12.9	13.2	4.8
GI Bond B	US	BD	LUX	12/23	USD	9.27	11.6	12.2	3.7
GI Bond B2	US	BD	LUX	12/23	USD	14.05	11.8	12.1	3.7
GI Bond B2	OT	OT	NA	12/23	HKD	108.94	11.8	12.1	3.7
GI Bond BT	OT	OT	LUX	12/23	HKD	72.19	11.8	12.2	3.8
GI Bond BT	US	BD	LUX	12/23	USD	9.31	11.8	12.2	3.8
GI Bond C	US	BD	LUX	12/23	USD	9.27	12.2	12.8	4.3
GI Bond C2	US	BD	LUX	12/23	USD	13.92	12.3	12.7	4.3
GI Bond I	US	BD	LUX	12/23	USD	9.27	13.2	13.9	5.4
GI Conservative A	US	BA	LUX	12/23	USD	14.87	15.4	17.3	-4.3
GI Conservative A2	US	BA	LUX	12/23	USD	16.93	16.1	18.1	-4.0
GI Conservative B	US	BA	LUX	12/23	USD	14.87	14.6	16.5	-5.1
GI Conservative B2	US	BA	LUX	12/23	USD	16.09	15.0	16.8	-5.0
GI Conservative C	US	BA	LUX	12/23	USD	14.86	15.0	16.9	-4.7
GI Conservative C2	US	BA	LUX	12/23	USD	16.56	15.6	17.5	-4.4
GI Conservative I	US	BA	LUX	12/23	USD	14.94	16.3	18.2	-3.6
GI Eq Blend A	GL	EQ	LUX	12/23	USD	11.62	30.0	36.2	-21.3
GI Eq Blend B	GL	EQ	LUX	12/23	USD	10.91	28.8	34.9	-22.1
GI Eq Blend C	GL	EQ	LUX	12/23	USD	11.42	29.5	35.6	-21.7
GI Eq Blend I	GL	EQ	LUX	12/23	USD	12.26	31.1	37.3	-20.7
GI Growth A	GL	EQ	LUX	12/23	USD	41.73	29.4	35.0	-22.4
GI Growth B	GL	EQ	LUX	12/23	USD	34.84	28.1	33.6	-23.2
GI Growth C	GL	EQ	LUX	12/23	USD	40.05	28.8	34.4	-22.8
GI Growth I	GL	EQ	LUX	12/23	USD	46.33	30.4	36.1	-21.8
GI High Yield A	US	BD	LUX	12/23	USD	4.31	58.8	62.0	4.1
GI High Yield A2	US	BD	LUX	12/23	USD	9.20	59.7	62.0	4.0
GI High Yield A2	OT	OT	NA	12/23	HKD	71.34	59.7	62.0	4.0
GI High Yield AT	OT	OT	NA	12/23	HKD	33.19	59.8	61.9	4.0
GI High Yield AT	US	BD	LUX	12/23	USD	4.28	59.8	61.9	4.0
GI High Yield B	US	BD	LUX	12/23	USD	4.31	56.9	59.9	2.9
GI High Yield B2	US	BD	LUX	12/23	USD	14.79	58.2	60.2	3.0
GI High Yield B2	OT	OT	NA	12/23	HKD	114.68	58.2	60.2	3.0
GI High Yield BT	OT	OT	NA	12/23	HKD	33.81	58.1	60.6	3.1
GI High Yield BT	US	BD	LUX	12/23	USD	4.36	58.1	60.6	3.1
GI High Yield C	US	BD	LUX	12/23	USD	4.31	58.0	61.1	3.6
GI High Yield C2	US	BD	LUX	12/23	USD	13.64	59.2	61.2	3.6
GI High Yield I	US	BD	LUX	12/23	USD	4.31	59.8	63.2	4.8
GI Thematic Res. A	OT	OT	LUX	12/23	USD	14.68	67.8	75.4	-3.6
GI Thematic Res. B	OT	OT	LUX	12/23	USD	12.84	66.1	73.7	-4.6
GI Thematic Res. I	OT	OT	LUX	12/23	USD	16.36	69.0	76.9	-2.9
GI Value A	GL	EQ	LUX	12/23	USD	11.11	30.9	37.7	-20.3
GI Value B	GL	EQ	LUX	12/23	USD	10.21	29.6	36.3	-21.0
GI Value C	GL	EQ	LUX	12/23	USD	10.80	30.3	37.1	-20.6
GI Value I	GL	EQ	LUX	12/23	USD	11.81	31.8	38.6	-19.6
Greater China A	AS	EQ	LUX	12/23	USD	39.11	52.5	58.9	-17.8
Greater China B	AS	EQ	LUX	12/23	USD	34.61	50.9	57.3	-18.6
Greater China C	AS	EQ	LUX	12/23	USD	38.62	51.8	58.2	-18.1
India Growth A	OT	OT	LUX	12/23	USD	125.12	NS	NS	NS
India Growth AX	OT	OT	LUX	12/23	USD	109.36	89.3	77.4	-10.7
India Growth B	OT	OT	LUX	12/23	USD	131.11	NS	NS	NS
India Growth BX	OT	OT	LUX	12/23	USD	93.50	87.5	75.7	-11.6
India Growth I	EA	EQ	LUX	12/23	USD	113.32	90.1	78.2	-10.4
Int'l Health Care A	OT	EQ	LUX	12/23	USD	138.11	17.6	20.9	-8.6
Int'l Health Care B	OT	EQ	LUX	12/23	USD	116.52	16.5	19.7	-9.5
Int'l Health Care C	OT	EQ	LUX	12/23	USD	132.38	17.1	20.4	-9.0
Int'l Health Care I	OT	EQ	LUX	12/23	USD	150.87	18.5	21.9	-7.9
Int'l Technology A	OT	EQ	LUX	12/23	USD	109.76	50.0	54.8	-12.5
Int'l Technology B	OT	EQ	LUX	12/23	USD	95.13	48.6	53.2	-13.3
Int'l Technology C	OT	EQ	LUX	12/23	USD	106.08	49.4	54.1	-12.9
Int'l Technology I	OT	EQ	LUX	12/23	USD	123.05	51.2	56.0	-11.8
Japan Eq Blend A	JP	EQ	LUX	12/23	JPY	5990.00	11.6	17.6	-23.6
Japan Eq Blend B	JP	EQ	LUX	12/23	JPY	5782.00	10.6	16.4	-24.3
Japan Eq Blend C	JP	EQ	LUX	12/23	JPY	5895.00	11.1	17.1	-23.9
Japan Growth A	JP	EQ	LUX	12/23	JPY	5845.00	5.1	9.6	-24.2
Japan Growth B	JP	EQ	LUX	12/23	JPY	5641.00	4.1	8.5	-25.0
Japan Growth C	JP	EQ	LUX	12/23	JPY	5752.00	4.6	9.1	-24.5
Japan Strat Value A	JP	EQ	LUX	12/23	JPY	6084.00	18.0	25.5	-23.4
Japan Strat Value B	JP	EQ	LUX	12/23	JPY	5878.00	16.8	24.3	-24.1
Japan Strat Value C	JP	EQ	LUX	12/23	JPY	5983.00	17.4	24.9	-23.7
Real Estate Sec. A	OT	EQ	LUX	12/23	USD	14.26	33.6	39.3	-15.3
Real Estate Sec. B	OT	EQ	LUX	12/23	USD	13.04	32.4	37.8	-16.1
Real Estate Sec. I	OT	EQ	LUX	12/23	USD	15.32	34.6	40.3	-14.6
Short Mat Dollar A	US	BD	LUX	12/23	USD	7.26	11.2	12.2	-5.9
Short Mat Dollar A2	US	BD	LUX	12/23	USD	9.77	11.5	12.0	-6.0
Short Mat Dollar AT	US	BD	LUX	12/23	USD	7.26	11.6	12.2	-6.0
Short Mat Dollar B	US	BD	LUX	12/23	USD	7.26	10.8	11.7	-6.3
Short Mat Dollar B2	US	BD	LUX	12/23	USD	9.72	11.0	11.6	-6.4
Short Mat Dollar BT	OT	OT	LUX	12/23	USD	7.27	10.3	11.0	-6.7
Short Mat Dollar C	US	BD	LUX	12/23	USD	7.26	10.8	11.7	-6.3
Short Mat Dollar C2	US	BD	LUX	12/23	USD	13.75	11.1	11.6	-6.4
Short Mat Dollar I	US	BD	LUX	12/23	USD	7.26	11.8	12.8	-5.3

Advertisement

[ALTERNATIVE INVESTMENT FUNDS www.WSJ.com] Advertisement

■ ALEXANDRA INVESTMENT MANAGEMENT
Tel: +1 212 301 1800 Fax: +1 212 301 1810

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

■ CREDIT PACIFIC ASSET MANAGMENT
www.creditpacific.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
CPS-Master Priv Fund	GL	OT	WSM	12/16	USD	121.52	21.5	21.5	9.4

PLATINUM CAPITAL MANAGEMENT

■ PLATINUM CAPITAL MANAGEMENT
Tel: +44 207 024 9840, www.platinumfunds.net

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7

SUPERFUND

■ SUPERFUND ASSET MANAGEMENT GMBH
For info about open funds, contact info@superfund.com and www.superfund.com
**Closed for New Investments*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	12/22	USD	40.63	-51.2	-50.9	-5.6
Superfund GCT USD*	GL	EQ	LUX	12/22	USD	2151.00	-41.1	-40.9	-3.8
Superfund Green Gold A (SPC)	OT	OT	CYM	12/22	USD	941.52	-19.0	-15.3	7.4
Superfund Green Gold B (SPC)	OT	OT	CYM	12/22	USD	897.74	-33.4	-30.3	3.1
Superfund Q-AG*	OT	OT	AUT	12/22	EUR	6491.00	-25.9	-25.8	1.7

■ WINTON CAPITAL MANAGEMENT LTD
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Ethanol delays

Switch-grass fuel is snagged by bureaucracy

By Naureen S. Malik

Cellulosic-ethanol production, a cornerstone of the U.S. government's plan to curb greenhouse-gas emissions, is earmarked to overtake corn ethanol over the next decade. But the industry's expected takeoff could be delayed by a year.

Several potholes make the path difficult, including regulatory delays, but the biggest hurdle is that dozens of commercial-scale and pilot facility projects haven't been able to secure enough financing to begin construction. The recession and tight credit markets have made it difficult to draw investors while the Department of Energy, which has committed $1.3 billion for biorefinery projects, has been slow to dispense money. It is a chicken-and-egg problem: Both are waiting for each other to move first.

COMMODITIES MARKETS

"The red tape and difficulty of putting it together is standing in the way of all the projects," said Frank Maisano, an energy specialist at Washington-based law firm Bracewell & Giuliani LLP.

The difficulties of cellulosic ethanol—a fuel made out of switch grass and other plant fibers—underscore how challenging the thicket of legislation applied in recent years has made it to move forward on reducing the U.S.'s carbon footprint.

Jim McMillan, research manager at the National Renewable Energy Laboratory, the Department of Energy's primary lab for renewable-energy research, said the review process is extensive and companies have to show they have raised money in these projects.

At the same time, companies and institutional investors, wary of taking on risk, have been waiting for the government to disburse grants and expand the requirements for cellulosic ethanol. "They all want to be the first to finance the second project, they won't finance the first," said Arnold Klann, chairman and chief executive of BlueFire Ethanol Fuels. "The government has to take that role."

Ethanol futures

Daily settlement price on the continuous front-month contract

Thursday: $1.879 per gallon, up 1.7 cents

Source: Chicago Board of Trade via Thomson Reuters Datastream

Yields increase on long-term Japanese debt

By Tomoyuki Tachikawa And Megumi Fujikawa

TOKYO—Yields on long-term Japanese government bonds rose Friday on concern about the possibility of higher debt issuance and worsening fiscal health ahead.

After the market closed, Japan's government said it will issue 44.303 trillion yen ($485.78 billion) of new government bonds during the next fiscal year, keeping its pledge to cap issuance at around 44 trillion yen as it grapples with the largest public debt in the industrialized world.

BOND MARKETS

The government plans to sell 144.3 trillion yen worth of all varieties of government bonds via regular auctions in the next fiscal year starting in April, including bonds to roll over existing debt, compared with the 113.3 trillion yen planned at the start of this fiscal year.

Although that amount represents the largest-ever issuance via regular tenders, the new bond plan reflects an attempt by the government to slow the rise in Japan's public debt by capping new-bond issuance.

New government bond issuance is expected to come to around 53.455 trillion yen this year.

The benchmark 10-year Japanese-government-bond yield rose 0.01 percentage point to 1.270%, and the 20-year yield rose 0.015 percentage point to 2.100%. The two-year and five-year yields were flat.

U.S. hopes foreigners remain in buying mood

By Min Zeng

The U.S. government will again bank on foreign investors, including its biggest creditors China and Japan, to take a record-tying $118 billion in notes to be auctioned this week.

With foreign buyers holding about half of the Treasury market, their continued appetite for government securities is essential in order to continue funding budget shortfalls in the U.S. at historically low interest rates. The auctions will be the last offerings of Treasury debt for 2009, adding to a record net supply of $1.48 trillion for the year.

U.S. CREDIT MARKETS

They start Monday with $44 billion in two-year notes, followed by $42 billon in five-year notes Tuesday and $32 billion in seven-year notes Wednesday, all matching the amounts offered a month earlier.

Thinner trading conditions during the winter holiday season pose a risk for such large sales. But many market participants said the selloff of short-term notes last week has made them attractive again. The two-year note's yield, which moves inversely to its price, traded at 0.96% Thursday. It has risen nearly 0.3 percentage point this month, while the yields on the five- and seven-year notes have increased by more than 0.5 point over the same period. U.S. markets were closed Friday for the Christmas holiday.

Because the five- and seven-year notes have been the favored maturities for foreign investors in recent auctions, this week's sales are likely to fare better than the offerings earlier this month of $21 billion of 10-year notes and $13 billion of 30-year bonds, which generated only tepid demand. "The auctions have been dominated by foreign bidders, and there is no particular reason to suspect that foreign reserve managers will be any less interested because of year-end," said Carl Lantz, an interest-rate strategist at Credit Suisse Securities USA LLC, one of the 18 primary dealers who trade directly with the Federal Reserve and underwrite Treasury auctions. Amitabh Arora, head of U.S. rate strategy at primary dealer Citigroup Global Markets Inc., said he expects "strong demand for the five-year and the seven-year auctions, mainly via Asian investors."

James Caron, head of interest-rate strategy at primary dealer Morgan Stanley, cautioned there may be "more difficulties" placing Treasury supply next year, and sees a risk that investors may demand higher yields. Mr. Caron expects net Treasury supply to hit a new record of $1.8 trillion next year.

The central bank may start raising interest rates in the latter half of the year. Another factor that could affect Treasury prices is the economic recovery, however slow. Many investors could turn to riskier assets, such as corporate bonds and stocks, for higher returns.

[Search by company, category or country at asia.WSJ.com/funds] INTERNATIONAL INVESTMENT FUNDS Advertisement

Allianz Global Investors

■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	12/23	EUR	52.27	34.5	39.2	-11.8
Industria AE	EU	EQ	DEU	12/23	EUR	71.43	36.5	37.7	-17.1
InternRent AE	EU	BD	DEU	12/23	EUR	35.57	4.7	4.0	10.0

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866

Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited	AS	EQ	MUS	12/18	USD	265704.36	97.0	101.9	0.9

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	12/18	USD	1251.05	23.4	20.3	-8.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/21	JPY	14426.01	53.9	55.4	-1.5
GAM Asia Equity Hedge US	OT	OT	VGB	12/21	USD	272.38	56.1	63.0	0.5
GAM Asia Equity USD	OT	OT	VGB	12/23	USD	636.64	58.6	66.4	-13.0
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/22	USD	1266.55	17.9	23.0	-17.4
GAM Com Glb Bal EUR Op	US	BA	VGB	12/14	EUR	93.10	14.7	17.0	-9.9
GAM Com Glb Bal USD Op	US	BA	VGB	12/14	USD	127.31	14.7	17.0	-9.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/14	EUR	95.07	21.3	24.9	-17.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/14	USD	126.70	21.3	24.9	-17.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/14	EUR	83.88	15.0	17.9	-14.3
GAM Comp Glb Gr USD Op	US	BA	VGB	12/14	USD	126.34	15.0	17.9	-14.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/18	USD	244.86	34.4	41.2	-12.4
GAM Cross Trading Inc	OT	OT	VGB	12/14	USD	464.04	6.1	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	12/14	CHF	94.54	4.5	3.8	-6.9
GAM Diversity EUR Op	OT	OT	VGB	12/14	EUR	649.99	5.3	4.9	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	12/14	USD	78.80	9.2	8.2	NS
GAM Diversity USD Op	OT	OT	VGB	12/14	USD	682.53	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	12/14	CHF	99.84	4.4	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	12/14	EUR	139.19	4.9	4.1	-5.4
GAM Dvrsty II USD Op	OT	OT	VGB	12/14	USD	210.84	4.9	NS	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/14	EUR	115.92	4.9	4.1	-5.5
GAM DvrstyIII USD Op	OT	OT	VGB	12/14	USD	122.37	4.9	4.1	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/21	EUR	216.48	9.8	12.0	-4.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/21	USD	201.25	10.5	12.3	-3.3
GAM European Equity USD	OT	OT	VGB	12/22	USD	292.11	24.2	27.7	-14.1
GAM GAMCO	OT	EQ	VGB	12/22	USD	810.11	39.6	40.1	-10.6
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/21	EUR	97.09	12.5	11.4	-16.7
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/21	USD	102.38	13.1	11.8	-16.0
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/21	USD	249.62	22.2	26.5	-7.5
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/21	USD	266.36	86.5	93.0	18.3
GAM Intrst Trend II	GL	BD	VGB	12/21	USD	93.17	41.0	35.0	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	12/21	USD	249.49	56.6	51.6	-7.3
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/21	EUR	115.80	8.4	10.2	-7.9
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/21	USD	120.39	7.1	NS	-19.9
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/21	JPY	8288.45	7.4	10.7	-19.1
GAM Japan USD	JP	EQ	VGB	12/21	USD	1089.12	5.2	7.8	-15.8
GAM Japan YEN	JP	EQ	VGB	12/21	JPY	8637.81	7.8	11.8	-23.6
GAM Money Mkt EuroOp	EU	MM	VGB	12/22	EUR	51.20	0.1	0.2	1.7
GAM Money Mkt USD	US	MM	VGB	12/22	USD	99.93	-0.1	-0.1	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/14	EUR	113.29	1.1	-0.9	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	12/14	USD	118.28	1.3	-0.8	-8.8
GAM Multi-China EUR Op	OT	OT	VGB	12/14	EUR	167.99	13.1	13.0	-8.8
GAM Multi-China USD Op	OT	OT	VGB	12/14	USD	176.61	13.7	13.6	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/14	GBP	130.34	24.6	23.9	-3.0
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/14	USD	645.36	24.6	23.9	-3.4
GAM Multi-Eur EUR Op	OT	OT	VGB	12/14	EUR	267.99	6.8	6.0	-10.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/14	EUR	137.89	6.7	8.6	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	12/14	USD	112.76	6.3	8.2	-11.3
GAM Multi-Eur USD Op	OT	OT	VGB	12/14	USD	466.44	6.4	5.6	-11.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/14	EUR	132.77	11.4	12.3	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/14	USD	216.31	11.8	13.0	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/14	EUR	142.45	4.5	4.1	-4.8
GAM Multi-Pac USD Op	OT	OT	VGB	12/14	USD	164.43	4.6	4.4	-5.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/18	USD	2595.04	66.8	67.3	10.6
GAM Sing/Malaysia	AS	EQ	VGB	12/23	USD	2492.39	50.0	51.9	-10.2
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/21	GBP	243.56	41.0	41.8	2.4
GAM Trading EUR Inc	OT	OT	VGB	12/14	EUR	323.84	5.9	5.4	6.8
GAM Trading USD Inc	OT	OT	VGB	12/14	USD	969.19	6.1	5.7	6.3
GAM Trdg II IncEUR Op	OT	OT	VGB	12/14	EUR	138.52	5.8	5.3	6.8
GAM Trdg II IncUSD Op	OT	OT	VGB	12/14	USD	314.69	6.1	5.7	6.3
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/14	EUR	146.18	5.6	5.0	6.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/14	USD	153.91	5.9	5.4	6.2
GAM Trdg V IncEUR Op	OT	OT	VGB	12/14	EUR	123.94	5.6	4.9	6.3
GAM Trdg V IncUSD Op	OT	OT	VGB	12/14	USD	129.08	5.8	5.4	6.1
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/14	EUR	156.35	5.7	5.2	6.5
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/14	USD	161.86	5.9	5.5	6.2
GAM USDSpecBondInc	US	BD	VGB	12/21	USD	523.82	72.3	75.8	6.1
GAM Worldwide	GL	EQ	VGB	12/22	USD	2223.88	24.1	27.9	-10.2
GAMut Investments	OT	OT	VGB	12/16	USD	7573.04	4.3	5.1	7.7

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/23	CHF	10.76	52.0	55.7	-17.5
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/23	EUR	11.56	54.6	61.3	-12.1
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/23	GBP	1.54	45.6	53.2	-2.1
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/23	USD	13.02	58.8	66.2	-11.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/21	EUR	98.71	16.8	19.0	-14.7
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/21	EUR	95.52	16.8	19.0	-14.7
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/22	EUR	10.91	24.0	26.6	-11.6
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/23	EUR	180.84	23.5	27.2	-14.2
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/23	EUR	165.24	23.4	27.1	-14.2
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/23	USD	15.80	26.6	30.8	-13.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/23	USD	14.33	26.5	30.7	-14.0
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/22	USD	5.60	18.9	17.7	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/21	EUR	87.08	7.0	8.9	-13.5
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/21	EUR	87.08	7.0	8.9	-13.5
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/21	JPY	901.79	7.6	11.5	-23.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/21	USD	10.99	4.4	7.0	-16.0
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/22	USD	2201.82	25.1	28.9	-9.7

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	12/23	USD	15.11	26.0	28.9	-12.7
American Growth AA	US	EQ	LUX	12/23	USD	0.87	25.6	28.6	-6.7
Asian Equity	AS	EQ	LUX	12/23	USD	2.39	59.5	63.9	-9.6
Asian Equity AA	AS	EQ	LUX	12/23	USD	0.77	58.9	63.3	-9.9
Asian Sm Cap Equity AA	AS	EQ	LUX	12/23	USD	1.13	87.4	94.1	-6.1
China Value A	AS	EQ	LUX	12/23	USD	6.91	59.9	65.9	-8.1
China Value AA	AS	EQ	LUX	12/23	USD	2.17	59.5	65.5	-8.3
Dragon Growth	AS	EQ	LUX	12/23	USD	1.60	63.1	66.5	-10.7
Dragon Growth AA	OT	OT	LUX	12/23	HKD	7.78	63.0	66.2	-11.8
Emg Eastrn Europe A	EU	EQ	LUX	12/23	USD	4.48	90.3	87.2	-19.5
Emg Eastrn Europe AA	EU	EQ	LUX	12/23	USD	1.93	90.0	86.9	-19.6
European Growth	EU	EQ	LUX	12/23	USD	9.01	40.0	44.0	-18.2
European Growth AA	EU	EQ	LUX	12/23	USD	0.64	39.7	43.7	-18.4
Global Contrarain AA	GL	EQ	LUX	12/23	USD	0.86	78.7	86.7	NS
Global Property AA	OT	EQ	LUX	12/23	USD	0.66	43.9	44.2	-13.9
Global Resources AA	OT	EQ	LUX	12/23	USD	1.06	51.0	62.3	-10.7
Healthcare AA	OT	EQ	LUX	12/23	USD	0.94	13.8	14.9	NS
India Equity AA	EA	EQ	LUX	12/23	USD	1.08	77.6	78.8	-17.3
International Growth	GL	EQ	LUX	12/23	USD	3.01	20.8	24.3	-15.8
International Growth AA	GL	EQ	LUX	12/23	USD	0.70	20.5	24.0	-16.0
Japanese Growth	JP	EQ	LUX	12/23	USD	2.74	6.0	7.5	-13.0
Japanese Growth AA	JP	EQ	LUX	12/23	USD	0.72	5.7	7.2	-11.5
Latin America Equity AA	GL	EQ	LUX	12/23	USD	1.25	99.8	101.5	-4.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	12/23	USD	1.00	NS	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/23	USD	1.11	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/23	USD	0.64	132.3	119.7	-22.6
Taiwan Equity AA	AS	EQ	LUX	12/23	USD	1.03	77.4	86.6	2.4
Turkey Equity AA	EE	EQ	LUX	12/23	USD	0.73	99.5	99.5	-13.9
U.S. Bond AA	US	BD	LUX	12/23	USD	1.11	17.7	18.4	7.2
U.S. High Yield Bond AA	US	BD	LUX	12/23	USD	0.81	81.9	86.9	0.3
U.S. Sm Cap Equity AA	US	EQ	LUX	12/23	USD	0.81	68.8	69.7	-13.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/23	USD	1.14	7.6	7.1	3.2

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	12/16	USD	126.99	120.1	114.6	-4.7

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/23	USD	7.84	82.8	88.9	-6.8

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

Eq. Concentrated Euroland A	OT	OT	LUX	12/22	EUR	93.27	22.5	25.2	-19.6
Eq. Euroland Small Cap A	OT	OT	LUX	12/22	EUR	139.75	41.0	46.0	-12.1
Eq. Global Resources A	OT	OT	LUX	12/22	USD	106.71	52.2	65.9	-9.0
Eq. India A	OT	OT	LUX	12/23	USD	128.47	76.8	78.4	-17.1
Eq. Japan CoreAlpha A	OT	OT	LUX	12/22	JPY	7246.81	23.2	27.0	-13.2
Eq. Latin America A	OT	OT	LUX	12/22	USD	112.64	80.9	83.0	-10.5

■ SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	12/22	EUR	20.52	54.4	56.4	-1.5
Bonds EURO A	EU	BD	LUX	12/22	EUR	41.27	4.5	4.6	5.7
Bonds EUROPE A	EU	BD	LUX	12/22	EUR	39.22	3.5	3.5	4.7
Bonds US OppsCoreplus A	US	BD	LUX	12/22	USD	37.01	17.4	18.2	9.1
Bonds World A	GL	BD	LUX	12/22	USD	42.12	5.7	5.4	7.2
Eq. China A	AS	EQ	LUX	12/23	USD	23.56	57.7	62.6	-14.6
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/22	EUR	26.73	29.7	33.5	-17.7
Eq. Euroland A	EU	EQ	LUX	12/22	EUR	10.76	17.3	20.1	-20.3
Eq. EurolandCyclclsA	EU	EQ	LUX	12/22	EUR	17.68	28.7	32.1	-15.7
Eq. EurolandFinancialA	OT	EQ	LUX	12/22	EUR	11.21	33.1	36.6	-21.6
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/22	USD	9.30	55.5	57.1	-15.3
Eq. Global A	GL	EQ	LUX	12/22	USD	27.59	31.1	35.7	-14.3
Eq. Global Energy A	OT	EQ	LUX	12/22	USD	17.92	25.7	32.3	-14.0
Eq. Gold Mines A	OT	EQ	LUX	12/22	USD	29.59	41.5	56.1	4.0
Eq. US Lg Cap Gr A	US	EQ	LUX	12/22	USD	15.26	41.5	44.6	-13.9
Eq. US Rel Val A	US	EQ	LUX	12/22	USD	20.60	32.7	38.0	-15.1
Eq. US Sm Cap Val A	US	EQ	LUX	12/22	USD	15.93	23.1	29.7	-21.5
Money Market EURO A	EU	MM	LUX	12/22	EUR	27.39	1.0	1.0	2.7
Money Market USD A	US	MM	LUX	12/22	USD	15.83	0.5	0.6	1.7

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	12/10	USD	929.00	-1.2	-7.1	-28.2
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/10	AED	4.67	1.8	-10.5	-35.1

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	12/15	USD	29.84	86.0	90.8	0.9
Intel-China Converg*	AS	EQ	CYM	12/15	USD	114.29	87.6	93.1	-0.6
VP Classic - A	AS	EQ	CYM	12/23	USD	181.38	77.9	79.1	-2.4
VP CLassic - B	AS	EQ	CYM	12/23	USD	84.55	77.1	78.2	-2.9
VP High Dividend Stk	AS	EQ	CYM	12/21	USD	44.29	78.2	81.5	-0.3

YUKI Yuki Management & Research Tel +81-3-5298-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED

Tel +44-207-269 0203 www.yukifunds.com

■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/22	JPY	9322.00	8.3	8.8	-25.2
YMR-N Small Cap Fund	OT	OT	IRL	12/22	JPY	6954.00	8.4	11.8	-24.9

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/24	JPY	6170.00	4.5	7.8	-26.5
Yuki 77 Growth	JP	EQ	IRL	12/24	JPY	5650.00	-4.5	-2.5	-32.0

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/24	JPY	6851.00	9.8	13.6	-23.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/24	JPY	7581.00	-7.4	-4.4	-23.0

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/24	JPY	4699.00	3.3	6.3	-26.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/24	JPY	5285.00	0.1	2.1	-20.3
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/24	JPY	5079.00	7.9	12.3	-22.8

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/24	JPY	4433.00	4.3	7.2	-30.6
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/24	JPY	4660.00	3.7	6.8	-30.4
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/24	JPY	7009.00	14.9	18.7	-24.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/24	JPY	8661.00	8.0	11.6	-24.3
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/24	JPY	6384.00	2.1	4.4	-27.8
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/24	JPY	7669.00	-3.6	-1.0	-23.2
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/24	JPY	5223.00	4.8	7.8	-25.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/24	JPY	11472.00	1.2	4.5	-20.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/24	JPY	7958.00	4.2	7.3	-30.2
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/24	JPY	7145.00	16.5	21.5	-24.8
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/24	JPY	5657.00	8.9	12.0	-22.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/24	JPY	2714.00	13.7	17.3	-30.6

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/24	JPY	5452.00	6.9	10.6	-23.9

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	0.99%	**103.0%**	113.2%
Russia	-1.58	**98.2**	95.5
Turkey	0.35	**86.3**	91.5
China 88	2.91	**76.6**	72.4
Singapore	-0.11	**62.8**	65.3
South Korea	1.32	**52.9**	52.0
Sweden	unch.	**50.0**	51.6
Hong Kong	0.74	**45.6**	47.3
Netherlands	0.09	**39.9**	42.4
Canada	0.86	**29.1**	39.4
Australia	1.23	**27.7**	32.0
Switzerland	unch.	**25.8**	29.4
South Africa	-0.02	**22.4**	26.7
France	unch.	**22.1**	26.2
Italy	unch.	**21.7**	23.4
U.K.	0.60	**21.4**	28.0
Germany	unch.	**18.0**	22.7
Spain	unch.	**17.2**	19.0
Japan	1.52	**8.5**	11.4

Dow Jones Regional Sector Titans

Basic Res	1.26%	**82.5%**	92.6%
Technology	1.15	**55.8**	59.4
Tiger 50*	1.03	**54.7**	58.0
Nordic 30 -p	0.35	**37.3**	40.9
EU Enlarged†-p	0.08	**31.6**	31.8
Asian 50	1.40	**30.4**	34.2
Stoxx 50 -p	0.45	**23.5**	28.1
Global 50	0.47	**21.1**	24.7
Euro Stoxx 50 -p	0.40	**20.8**	24.4
Arab 50	-0.02	**4.1**	2.9

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Japan Tobacco	Japan	Tobacco	$34.4	329,000	**1.54%**	10.8%	-42.8%
KDDI	Japan	Mobile Telecommunications	23.7	491,000	**0.61**	-21.7	-39.2
Tokio Marine Hldgs	Japan	Property Casualty Insurance	21.8	2,545	**0.39**	-3.2	-39.4
Nippon T&T	Japan	Fixed Line Telecommunications	53.1	3,680	**0.27**	-21.4	-37.2
NTT DoCoMo	Japan	Mobile Telecommunications	59.2	130,200	**0.23**	-25.1	-30.7
Mizuho Financial Grp	Japan	Banks	$26.2	171.00	**-2.29%**	-33.6	-79.9
Sumitomo Mitsui Finl	Japan	Banks	30.2	2,745	**-1.79**	-27.0	-77.5
Canon	Japan	Electronic Office Equipment	53.1	3,950	**-1.74**	45.2	-41.0
Panasonic	Japan	Consumer Electronics	29.9	1,327	**-1.48**	21.3	-44.1
Nissan Motor	Japan	Automobiles	34.9	787.00	**-1.13**	151.4	-45.1

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Aus NZ Bk Australia (Banks)	49.5	22.39	...	50.6%	-20.6%
BHP Billiton Australia (General Mining)	125.7	42.47	...	47.3	67.9
Commonwlth Bk of Aus Australia (Banks)	72.2	53.87	...	98.4	8.9
National Australia Bk Australia (Banks)	49.4	26.70	...	32.8	-33.9
QBE Ins Grp Australia (Reinsurance)	22.2	24.60	...	-3.9	-14.7
RioZim Ltd Australia (General Mining)	39.3	73.50	...	154.5	25.3
Westpac Bking Australia (Banks)	65.2	25.39	...	53.9	4.7
Woodside Petroleum Australia (Exploration Production)	30.1	47.50	...	44.4	24.6
Woolworths Australia (Food Retailers Wholesalers)	29.8	27.42	...	3.9	14.7
Westfield Grp Australia (Retail REITs)	25.0	12.27	...	-8.4	-41.2
Cheung Kong Hong Kong (Real Estate Holding Development)	29.2	97.90	...	34.1	2.3
China Mobile (HK) Hong Kong (Mobile Telecommunications)	178.4	69.60	...	-6.6	3.6
Hutchison Whampoa Hong Kong (Diversified Industrials)	27.2	49.55	...	23.9	-37.3
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	37.8	114.30	...	72.7	27.9
PetroChina Hong Kong (Integrated Oil Gas)	25.3	9.29	...	46.1	-15.7
KB Fncl Group South Korea (Banks)	19.5	59,700	...	79.8	-18.0
POSCO South Korea (Iron Steel)	39.7	616,000	...	63.2	99.4
Samsung Elec South Korea (Semiconductors)	99.0	790,000	...	73.3	28.9
Shinhan Financial Grp South Korea (Banks)	18.0	44,500	...	53.5	-3.1
CNOOC Hong Kong (Exploration Production)	69.5	12.06	...	81.6	63.2

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
China Life Ins Hong Kong (Life Insurance)	36.1	37.65	...	65.5%	41.8%
China Constr Bk Hong Kong (Banks)	191.8	6.62	...	53.6	33.7
Indl Comm Bk China Hong Kong (Banks)	68.6	6.41	...	54.8	32.7
Seven I Hldgs Japan (Broadline Retailers)	18.6	1,887	**-0.21%**	-35.0	-49.0
Takeda Pharm Japan (Pharmaceuticals)	32.8	3,810	**-0.26**	-15.9	-53.4
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	50.9	63.40	**-0.31**	46.8	-4.7
Honda Motor Japan (Automobiles)	61.7	3,100	**-0.32**	64.5	-34.0
Nintendo Japan (Toys)	30.2	21,700	**-0.32**	-36.5	-29.8
Sony Japan (Consumer Electronics)	29.0	2,675	**-0.37**	44.8	-47.6
Shin-Etsu Chml Japan (Specialty Chemicals)	24.3	5,260	**-0.38**	35.9	-34.0
Tokyo Elec Power Japan (Conventional Electricity)	34.9	2,370	**-0.42**	-19.7	-38.4
Kansai Elec Power Japan (Conventional Electricity)	22.1	2,120	**-0.47**	-17.4	-34.0
East Japan Railway Japan (Travel Tourism)	25.3	5,870	**-0.51**	-14.8	-26.2
JFE Hldgs Japan (Iron Steel)	21.0	3,640	**-0.55**	55.9	-40.6
Nippon Steel Japan (Iron Steel)	25.3	369.00	**-0.81**	28.1	-46.1
Mitsubishi Japan (Industrial Suppliers)	40.6	2,270	**-0.87**	92.7	1.3
Mitsui Japan (Industrial Suppliers)	25.5	1,292	**-1.00**	53.8	-27.4
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	39.0	147.50	**-1.01**	175.8	0.7
Toyota Motor Japan (Automobiles)	132.1	3,850	**-1.03**	32.8	-51.6
Mitsubishi UFJ Finl Japan (Banks)	58.1	461.00	**-1.07**	-17.7	-68.6

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

WSJ.com

Follow the markets throughout the day with updated stock quotes, news and commentary at **WSJ.com/Asia**.
Also, receive email alerts that summarize the day's trading in Europe and Asia. To sign up, go to **WSJ.com/OnlineToday**

Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.51%	0.69%	1.7%	8.2%	7.9%
Event Driven	0.17	0.65	2.9	15.1	15.3
Equity Long/Short	0.62	1.94	0.7	4.8	4.4

*Estimates as of 12/23/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.74	101.19%	0.01%	1.00	0.74	0.85
Eur. High Volatility: 12/1	1.06	99.71	0.01	1.76	1.06	1.39
Europe Crossover: 12/1	4.37	102.53	0.05	6.15	4.37	5.24
Asia ex-Japan IG: 12/1	0.96	100.20	0.01	1.29	0.96	1.08
Japan: 12/1	1.36	98.26	0.01	1.68	0.99	1.33

Note: Data as of December 23

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Marui Group	245	**-5**	-3	18
Sanyo Shinpan Fin	862	**-4**	-113	-133
Sharp	54	**-4**	-3	-5
Mitsubishi Heavy Inds	85	**-4**	-5	-5
Swire Pac	76	**-2**	1	-4
Kdom Thailand	97	**-2**	4	-8
Samsung Electrs	67	**-1**	2	-6
Kawasaki Heavy Inds	154	**-1**	-5	38
Socialist Rep Vietnam	236	**-1**	1	24
Nippon Paper Inds	91	**-1**	-19	1

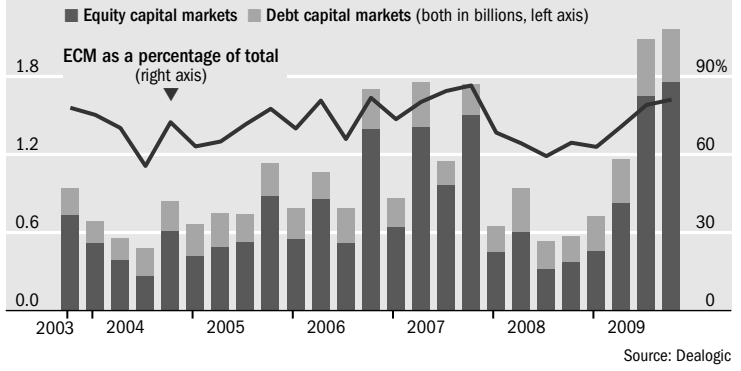
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
East Japan Rwy	21	**...**	1	-1
Hitachi	90	**1**	-5	-15
Fujitsu	61	**1**	...	...
Singapore Telecom	38	**1**	1	-5
Tenaga Nasional	90	**2**	2	-3
Kawasaki Kisen Kaisha	256	**2**	3	36
MISC	93	**3**	5	-4
Lg Electrs	99	**3**	7	-7
Bk of China	116	**3**	5	4
China Dev Bk	113	**6**	1	1

Source: Markit Group

Behind Asia's deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals

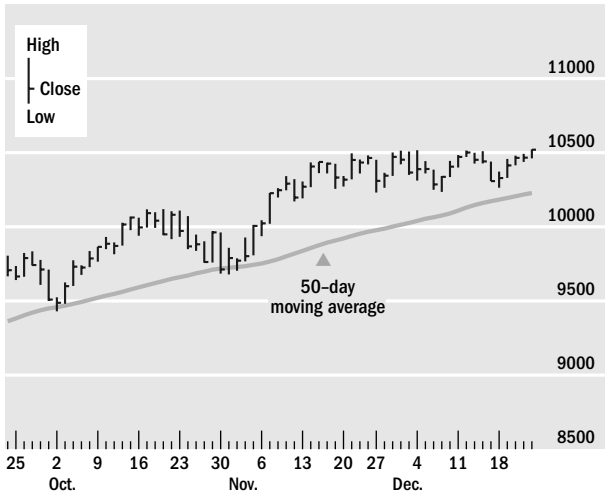


Source: Dealogic

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10520.10** ▲ 53.66, or 0.51%
YEAR TO DATE: ▲ **1,743.71, or 19.9%**
OVER 52 WEEKS ▲ **2,051.62, or 24.2%**



Nasdaq Composite Index P/E: 44*

LAST: **2285.69** ▲ 16.05, or 0.71%
YEAR TO DATE: ▲ **708.66, or 44.9%**
OVER 52 WEEKS ▲ **760.79, or 49.9%**

S&P 500 Index P/E: 73

LAST: **1126.48** ▲ 5.89, or 0.53%
YEAR TO DATE: ▲ **223.23, or 24.7%**
OVER 52 WEEKS ▲ **258.33, or 29.8%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**6.10**	$28.10	0.06	**0.21%**
Alcoa	AA	**14.30**	16.34	0.34	**2.13**
AmExpress	AXP	**2.10**	41.68	0.47	**1.14**
BankAm	BAC	**36.00**	15.25	0.06	**0.39**
Boeing	BA	**1.00**	55.48	0.52	**0.95**
Caterpillar	CAT	**1.50**	58.33	0.01	**0.02**
Chevron	CVX	**2.50**	77.43	0.39	**0.51**
CiscoSys	CSCO	**9.90**	23.96	0.18	**0.76**
CocaCola	KO	**2.80**	57.44	0.15	**0.26**
Disney	DIS	**3.50**	32.29	-0.14	**-0.43**
DuPont	DD	**2.30**	33.42	0.36	**1.09**
ExxonMobil	XOM	**8.10**	68.66	0.40	**0.59**
GenElec	GE	**18.50**	15.44	0.03	**0.19**
HewlettPk	HPQ	**4.20**	52.87	0.38	**0.72**
HomeDpt	HD	**3.80**	29.17	0.17	**0.59**
Intel	INTC	**12.20**	20.33	0.23	**1.14**
IBM	IBM	**4.20**	130.57	0.57	**0.44**
JPMorgChas	JPM	**7.90**	41.89	0.33	**0.79**
JohnsJohns	JNJ	**2.40**	64.70	0.13	**0.20**
KftFoods	KFT	**2.20**	27.56	0.20	**0.73**
McDonalds	MCD	**2.60**	63.42	0.06	**0.09**
Merck	MRK	**6.30**	36.99	-0.26	**-0.70**
Microsoft	MSFT	**11.00**	31.00	0.08	**0.26**
Pfizer	PFE	**11.90**	18.60	0.02	**0.11**
ProctGamb	PG	**3.40**	61.28	-0.03	**-0.05**
3M	MMM	**0.90**	82.55	0.36	**0.44**
TravelersCos	TRV	**1.20**	49.94	0.76	**1.55**
UnitedTech	UTX	**1.30**	70.36	0.85	**1.22**
Verizon	VZ	**3.40**	33.36	0.13	**0.39**
WalMart	WMT	**4.50**	53.60	0.28	**0.53**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**145.2**	$3.35	$0.06	**1.82%**
SPDR S&P 500	SPY	**39.7**	112.48	0.53	**0.47**
BankAm	BAC	**36.5**	15.25	0.06	**0.39**
PwrShrs QQQ	QQQQ	**31.8**	45.98	0.42	**0.92**
FordMotor	F	**24.9**	10.13	0.05	**0.50**
US NatGas	UNG	**23.9**	10.32	-0.38	**-3.55**
iShrMSCIEmrgMkt	EEM	**19.7**	41.20	0.41	**1.01**
GenElec	GE	**18.6**	15.44	0.03	**0.19**
SPDR FnclSelSct	XLF	**18.3**	14.53	0.13	**0.90**
AppleInc	AAPL	**17.9**	209.04	6.94	**3.43**
MicronTch	MU	**17.1**	10.16	0.17	**1.70**
iShrRu2000	IWM	**16.5**	63.36	0.24	**0.38**
Athersys	ATHX	**16.3**	5.52	0.24	**4.55**
Motorola	MOT	**15.3**	7.98	0.05	**0.63**
BrisMyrsSqb	BMY	**15.2**	25.76	0.06	**0.23**

Biggest gainers...

Merimac	MRM	**270.9**	$15.90	$4.36	**37.78%**
Camtek	CAMT	**278.3**	2.56	0.52	**25.49**
AT Cross A	ATX	**9.3**	5.44	0.94	**20.89**
Questcor	QCOR	**5,266.7**	5.10	0.78	**18.06**
Dataram	DRAM	**838.9**	4.31	0.63	**17.12**

...Biggest losers

JcksnHewitt TaxSvc	JTX	**5,958.5**	$4.50	-$1.34	**-22.95%**
GenlStlHldg	GSI	**8,905.8**	4.57	-1.22	**-21.07**
pSivida	PSDV	**823.1**	4.23	-0.77	**-15.40**
NevsunRes	NSU	**1,355.5**	2.62	-0.31	**-10.58**
Maxygen	MAXY	**976.4**	5.39	-0.53	**-8.95**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.40	$6.36	**Taiwan Semi**	TSM	**4,281.7**	$11.27	0.12	**1.08%**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,140.5**	5.10	-0.10	**-1.92**
59.22	40.20	**China Mobile**	CHL	**1,003.6**	44.92	-0.13	**-0.29**
18.80	12.59	**SK Telecom**	SKM	**932.4**	16.64	0.33	**2.02**
78.75	33.09	**BHP Billiton**	BHP	**865.1**	75.92	0.68	**0.90**
15.95	8.56	**China Unicom**	CHU	**636.0**	12.51	-0.02	**-0.16**
3.87	1.65	**Utd Microelectronics**	UMC	**604.5**	3.71	0.02	**0.54**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**520.3**	6.87	0.05	**0.73**
19.56	15.05	**ChunghwaTel**	CHT	**373.6**	18.26	0.35	**1.95**
56.00	22.61	**Infosys Tech**	INFY	**303.8**	55.99	0.38	**0.68**
11.88	6.25	**AU Optrncs**	AUO	**275.7**	11.81	0.05	**0.43**
81.00	37.43	**China Life Ins**	LFC	**186.7**	73.05	0.58	**0.80**
15.29	6.85	**Korea Elec Pwr**	KEP	**186.6**	13.97	0.23	**1.67**
43.95	21.23	**Canon**	CAJ	**179.1**	43.84	1.91	**4.56**
30.82	15.64	**Sony**	SNE	**166.2**	29.31	-0.05	**-0.17**
16.60	10.60	**Matsushita Elec**	PC	**165.5**	14.71	0.27	**1.87**
135.92	63.94	**PetroChina**	PTR	**157.6**	120.42	1.93	**1.63**
87.67	56.79	**Toyota Motor**	TM	**156.3**	84.91	1.16	**1.39**
9.82	5.43	**Telecom Corp of NZ**	NZT	**148.4**	8.87	0.09	**1.03**
4.00	1.50	**SemiMfgInt**	SMI	**138.5**	3.23	0.15	**4.87**
9.50	3.96	**Nomura Hldgs**	NMR	**136.4**	7.58	0.07	**0.93**
22.15	5.11	**Yanzhou Coal Mining**	YZC	**123.3**	21.63	0.35	**1.64**
27.55	17.71	**NTT**	NTT	**122.9**	20.06	0.05	**0.25**
32.79	9.91	**Aluminum Cp of China**	ACH	**122.2**	27.80	0.12	**0.43**
17.79	11.30	**KT Corp**	KTC	**118.5**	17.35	0.23	**1.34**
4.63	1.49	**Adv Semi Engrg**	ASX	**107.8**	4.40	-0.01	**-0.23**
94.00	46.45	**China Petro & Chem**	SNP	**104.6**	87.40	0.95	**1.10**
150.50	47.09	**POSCO**	PKX	**102.0**	130.92	2.60	**2.03**
19.93	13.11	**NTT DoCoMo**	DCM	**97.6**	14.18	-0.03	**-0.21**
34.43	21.60	**Huaneng Power Intl**	HNP	**93.5**	22.81	0.49	**2.20**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

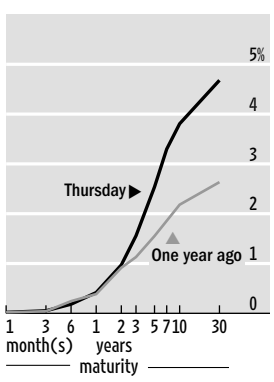
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.325%**	**337.8**	347.1	372.2	**196.6**	**4.360%**	4.461%	**2.881%**
4.500	10	**5.657**	**188.7**	192.2	206.3	**190.6**	**5.635**	5.415	**4.094**
5.000	**Austria** 2	**1.662**	**71.5**	77.4	22.0	**119.6**	**1.663**	0.959	**2.111**
3.900	10	**3.841**	**7.1**	10.3	28.6	**167.0**	**3.816**	3.638	**3.858**
3.500	**Belgium** 2	**1.084**	**13.7**	12.4	40.3	**133.5**	**1.013**	1.142	**2.250**
4.000	10	**3.705**	**-6.5**	-6.2	30.6	**158.2**	**3.651**	3.658	**3.770**
1.250	**Canada** 2	**1.393**	**44.6**	49.0	50.6	**29.2**	**1.379**	1.245	**1.207**
3.750	10	**3.602**	**-16.8**	-13.7	1.4	**61.4**	**3.576**	3.366	**2.802**
4.000	**Denmark** 2	**1.925**	**97.8**	114.3	143.4	**183.0**	**2.032**	2.173	**2.745**
4.000	10	**3.592**	**-17.8**	-14.6	27.5	**120.4**	**3.567**	3.627	**3.392**
1.500	**France** 2	**1.097**	**15.0**	19.7	59.0	**114.7**	**1.086**	1.329	**2.062**
3.750	10	**3.514**	**-25.6**	-20.5	21.1	**121.5**	**3.508**	3.563	**3.403**
1.250	**Germany** 2	**1.203**	**25.6**	29.8	61.0	**84.9**	**1.187**	1.349	**1.764**
3.250	10	**3.323**	**-44.7**	-41.7	-8.0	**75.5**	**3.296**	3.272	**2.943**
0.550	**Hong Kong** 2	**0.686**	**-26.1**	-20.8	-29.9	**-22.6**	**0.681**	0.440	**0.689**
2.160	10	**2.738**	**-103.2**	-97.7	-113.1	**-83.4**	**2.736**	2.221	**1.354**
3.750	**Italy** 2	**1.472**	**52.5**	59.3	82.3	**208.5**	**1.482**	1.562	**3.000**
4.250	10	**4.046**	**27.6**	31.0	74.8	**209.9**	**4.023**	4.100	**4.287**
0.200	**Japan** 2	**0.170**	**-77.7**	-71.9	-48.9	**-48.5**	**0.170**	0.250	**0.430**
1.300	10	**1.268**	**-250.2**	-246.0	-204.7	**-96.3**	**1.253**	1.305	**1.225**
4.000	**Netherlands** 2	**0.807**	**-14.0**	-8.1	22.0	**116.2**	**0.808**	0.959	**2.077**
4.000	10	**3.456**	**-31.4**	-24.9	18.2	**134.7**	**3.464**	3.534	**3.535**
3.200	**Portugal** 2	**1.300**	**35.3**	40.2	50.6	**173.0**	**1.291**	1.245	**2.645**
4.750	10	**3.996**	**22.6**	29.3	47.7	**1981.2**	**4.006**	3.829	**22.000**
5.350	**Spain** 2	**1.465**	**51.8**	57.3	67.7	**157.8**	**1.462**	1.416	**2.493**
4.300	10	**3.935**	**16.5**	21.5	49.6	**163.9**	**3.928**	3.848	**3.827**
2.750	**Switzerland** 2	**0.602**	**-34.5**	-28.7	-22.7	**-16.4**	**0.602**	0.512	**0.751**
2.250	10	**1.947**	**-182.3**	-176.6	-138.3	**6.7**	**1.947**	1.969	**2.255**
3.250	**U.K.** 2	**1.318**	**37.1**	38.3	51.0	**22.4**	**1.272**	1.249	**1.139**
4.500	10	**3.995**	**22.5**	23.5	31.9	**86.2**	**3.948**	3.671	**3.050**
0.750	**U.S.** 2	**0.947**	**...**	...	...	**...**	**0.889**	0.739	**0.915**
3.375	10	**3.770**	**...**	...	...	**...**	**3.713**	3.352	**2.188**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 2 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.679%**	16.16	-7.38%	-8.83%	-26.14%	-26.92%
10-year Treasury	**3.806**	8.27	-4.69	-3.24	-9.20	-9.70
7 Year Treasury	**3.298**	6.23	-3.54	-1.30	...	...
Five-year Treasury	**2.538**	4.64	-2.30	-0.11	-0.14	-0.09
Ryan Index	**2.808**	6.69	-3.27	-2.14	-6.44	-6.59
3 Year Treasury	**1.557**	2.91	-1.06	0.40	1.47	1.95
Two-year Treasury	**0.971**	1.91	-0.53	0.40	1.53	1.84
1 Year Treasury	**0.417**	0.98	-0.08	0.22	0.97	1.02
Six-month Treasury	**0.183**	0.50	...	0.07	0.63	0.66
Ryan Cash Index-a	**0.168**	0.45	-0.01	0.09	0.53	0.54
Three-month bill	**0.051**	0.25	0.02	0.06	0.37	0.35
One-month bill	**0.020**	0.08	0.01	0.02	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.55**	2.02
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23125%**	0.47125%
Three month	**0.25063**	1.46750
Six month	**0.43125**	1.83000
One year	**0.97875**	2.09125

	Latest	52 wks ago
Euro Libor		
One month	**0.43625%**	2.70938%
Three month	**0.66563**	2.98688
Six month	**0.97188**	3.05688
One year	**1.21938**	3.14375
Hibor		
One month	**0.07750**	0.30000%
Three month	**0.12607**	1.00000
Six month	**0.26786**	1.55000
One year	**0.61643**	1.90000
Asian dollars		
One month	**0.2395%**	0.48%
Three month	**0.2633**	1.4588
Six month	**0.4563**	1.8300
One year	**0.9938**	2.0725

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.4100**	0.3100
One year	**0.6500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.13%**	0.13%
U.K. (BBA)	**0.498**	1.767
Euro zone	**0.30**	2.15

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	408.50	3.75	0.93%	712.25	315.50
Soybeans (cents/bu.)	CBOT	1008.00	-1.00	-0.10%	1,560.00	805.00
Wheat (cents/bu.)	CBOT	524.50	-4.50	-0.85	1,029.25	459.00
Live cattle (cents/lb.)	CME	84.750	-0.625	-0.73	108.600	81.900
Cocoa ($/ton)	ICE-US	3,271	20	0.62	3,510	1,994
Coffee (cents/lb.)	ICE-US	139.30	-3.35	-2.35	188.65	115.00
Sugar (cents/lb.)	ICE-US	27.08	0.58	2.19	27.10	11.91
Cotton (cents/lb.)	ICE-US	73.65	-0.25	-0.34	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,554.00	54	2.16	3,580	1,487
Cocoa (pounds/ton)	LIFFE	2,242	11	0.49	2,337	1,310
Robusta coffee ($/ton)	LIFFE	1,327	-8	-0.60	1,710	1,309
Copper (cents/lb.)	COMEX	329.25	8.90	2.78	365.00	135.50
Gold ($/troy oz.)	COMEX	1104.80	10.80	0.99	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1744.00	25.00	1.45	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,247.00	-2.00	-0.09	2,283.00	1,288.00
Tin ($/ton)	LME	16,100.00	250.00	1.58	16,100.00	9,750.00
Copper ($/ton)	LME	7,100.00	156.00	2.25	7,100.00	2,849.00
Lead ($/ton)	LME	2,359.50	32.00	1.37	2,487.00	870.00
Zinc ($/ton)	LME	2,535.00	60.00	2.42	2,535.00	1,086.00
Nickel ($/ton)	LME	18,745	740	4.11	21,150	9,475
Crude oil ($/bbl.)	NYMEX	78.05	1.38	1.80	117.00	47.60
Heating oil ($/gal.)	NYMEX	2.0562	0.0233	1.15	3.5570	1.3816
RBOB gasoline ($/gal.)	NYMEX	2.0106	0.0238	1.20	2.1342	1.2304
Natural gas ($/mmBtu)	NYMEX	5.686	-0.166	-2.84	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	76.31	0.86	1.14	145.00	50.00
Gas oil ($/ton)	ICE-EU	607.00	-4.00	-0.65	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

WSJ.com

Follow the markets throughout the day with updated stock quotes, news and commentary at **WSJ.com/Asia**. Also, receive email alerts that summarize the day's trading in Europe and Asia. To sign up, go to **WSJ.com/OnlineToday**

Currencies

London close on Dec. 25

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4622	0.1831	3.7940	0.2636
Brazil real	2.5375	0.3941	1.7625	0.5674
Canada dollar	1.5118	0.6615	1.0501	0.9523
1-mo. forward	1.5118	0.6615	1.0501	0.9523
3-mos. forward	1.5119	0.6614	1.0502	0.9522
6-mos. forward	1.5121	0.6613	1.0503	0.9521
Chile peso	728.56	0.001373	506.05	0.001976
Colombia peso	2948.87	0.0003391	2048.25	0.0004882
Ecuador US dollar-f	1.4397	0.6946	1	1
Mexico peso-a	18.5621	0.0539	12.8930	0.0776
Peru sol	4.1494	0.2410	2.8821	0.3470
Uruguay peso-e	28.146	0.0355	19.550	0.0512
U.S. dollar	1.4397	0.6946	1	1
Venezuela bolivar	3.09	0.323471	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6270	0.6146	1.1301	0.8849
China yuan	9.8291	0.1017	6.8272	0.1465
Hong Kong dollar	11.1658	0.0896	7.7557	0.1289
India rupee	66.9604	0.0149	46.5100	0.0215
Indonesia rupiah	13641	0.0000733	9475	0.0001055
Japan yen	131.29	0.007617	91.20	0.010966
1-mo. forward	131.27	0.007618	91.18	0.010968
3-mos. forward	131.23	0.007620	91.15	0.010971
6-mos. forward	131.12	0.007627	91.07	0.010980
Malaysia ringgit-c	4.9382	0.2025	3.4300	0.2915
New Zealand dollar	2.0381	0.4907	1.4156	0.7064
Pakistan rupee	121.367	0.0082	84.300	0.0119
Philippines peso	66.960	0.0149	46.510	0.0215
Singapore dollar	2.0265	0.4935	1.4076	0.7104
South Korea won	1691.75	0.0005911	1175.07	0.0008510
Taiwan dollar	46.488	0.02151	32.290	0.03097
Thailand baht	47.992	0.02084	33.335	0.03000

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6946	1.4397
1-mo. forward	1.0000	1.0000	0.6946	1.4397
3-mos. forward	1.0001	0.9999	0.6947	1.4395
6-mos. forward	1.0002	0.9998	0.6948	1.4394
Czech Rep. koruna-b	26.423	0.0378	18.353	0.0545
Denmark krone	7.4314	0.1346	5.1618	0.1937
Hungary forint	272.69	0.003667	189.41	0.005280
Norway krone	8.3447	0.1198	5.7962	0.1725
Poland zloty	4.1491	0.2410	2.8819	0.3470
Russia ruble-d	42.549	0.02350	29.554	0.03384
Sweden krona	10.4771	0.0954	7.2773	0.1374
Switzerland franc	1.4913	0.6705	1.0359	0.9654
1-mo. forward	1.4910	0.6707	1.0356	0.9656
3-mos. forward	1.4904	0.6710	1.0352	0.9660
6-mos. forward	1.4891	0.6716	1.0343	0.9669
Turkey lira	2.1807	0.4586	1.5147	0.6602
U.K. pound	0.9018	1.1088	0.6264	1.5964
1-mo. forward	0.9020	1.1087	0.6265	1.5961
3-mos. forward	0.9024	1.1082	0.6268	1.5955
6-mos. forward	0.9028	1.1076	0.6271	1.5946
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5428	1.8425	0.3770	2.6526
Egypt pound-a	7.9184	0.1263	5.5000	0.1818
Israel shekel	5.4701	0.1828	3.7995	0.2632
Jordan dinar	1.0189	0.9814	0.7078	1.4129
Kuwait dinar	0.4132	2.4201	0.2870	3.4842
Lebanon pound	2170.35	0.0004608	1507.50	0.0006634
Saudi Arabia riyal	5.3998	0.1852	3.7507	0.2666
South Africa rand	10.8431	0.0922	7.5315	0.1328
United Arab dirham	5.2882	0.1891	3.6731	0.2722
SDR -f	0.9178	1.0896	0.6375	1.5686

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
33	**ASIA-PACIFIC**	**DJ Asia-Pacific**	122.22	-0.22	-0.18%	30.6%	33.8%
...	Australia	**SPX/ASX 200****	4790.85	51.51	1.09%	28.7	33.7
29	China	**CBN 600**	27921.55	-59.10	-0.21	89.1	85.6
20	Hong Kong	**Hang Seng****	21517.00	188.26	0.88	49.6	51.7
19	India	**Sensex****	17360.61	129.50	0.75	80.0	81.4
...	Indonesia	**Jakarta Composite**	2474.883		Closed	82.6	85.2
...	Japan	**Nikkei Stock Average**	10494.71	-42.21	-0.40	18.5	20.1
...		**Topix**	909.39	-4.33	-0.47	5.8	7.4
...	Malaysia	**Kuala Lumpur Composite****	1263.94	3.41	0.27	44.2	45.3
...	New Zealand	**NZSX-50****	3205.200	-4.362	-0.14	18.0	20.1
9	Pakistan	**KSE 100****	9422.23	119.31	1.28	60.7	41.5
15	Philippines	**Manila Composite**	3024.33		Closed	61.5	61.5
...	Singapore	**Straits Times****	2837.70	-3.86	-0.14	61.1	63.4
11	South Korea	**Kospi****	1682.34	20.99	1.26	49.6	49.1
21	Taiwan	**Weighted**	7972.59	9.05	0.11	73.6	80.2
10	Thailand	**SET**	730.41	3.20	0.44	62.3	63.5
50	**EUROPE**	**DJ Stoxx 600**	251.90		Closed	27.9	30.9
22		**DJ Stoxx 50**	2572.89		Closed	24.6	28.1
62	**Euro Zone**	**DJ Euro Stoxx**	273.82		Closed	22.9%	26.4%
20		**DJ Euro Stoxx 50**	2957.48		Closed	20.6	24.4
19	Denmark	**OMX Copenhagen**	314.16		Closed	38.9	39.6
20	Finland	**OMX Helsinki**	6361.53		Closed	17.7	20.6
19	France	**CAC-40****	3912.73	1.98	0.05%	21.6	25.6
21	Germany	**DAX**	5957.44		Closed	23.9	28.7
17	Italy	**FTSE MIB**	23109.12		Closed	18.8	20.7
...	Netherlands	**AEX****	333.60	0.77	0.23	35.6	37.9
...	Russia	**RTSI**	1450.25	6.64	0.46	129.5	125.0
11	Spain	**IBEX 35**	11967.5		Closed	30.1	32.0
15	Switzerland	**SMI**	6579.98		Closed	18.9	21.9
...	Turkey	**ISE National 100**	51661.34	200.64	0.39	92.3	95.0
15	U.K.	**FTSE 100****	5402.41	30.03	0.56	21.8	28.1
21	**AMERICAS**	**DJ Americas**	299.05		Closed	32.3	37.2
...	Brazil	**Bovespa**	67588.86		Closed	80.0	85.3
...	Argentina	**Merval**	2249.35		Closed	108.3	116.6
21	Mexico	**IPC****	32548.53	98.30	0.30	45.4	45.7

*P/E ratios use trailing 12-months, as-reported earnings, **Data as of Thursday December 24, 2009
European and Americas index data are as of 5:00 p.m. ET. Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.17%	21	**DJ Global Index**	227.11	1.26	1.26%	36.8%	0.6%	-6.2%
1.89	21	**Global DOW**	1983.78	9.97	9.97	34.1	0.5	-2.0
2.34		**Asia/Pacific 600**	114.78	1.04	1.04	23.9	0.9	-7.6
1.77	15	**Emerging Markets**	275.32	2.66	2.66	80.7	1.0	3.4
2.12	33	**Asia/Pacific**	122.44	1.18	1.18	34.9	1.0	-5.5
2.39	14	**Asia/Pacific ex-Japan**	308.31	3.25	3.25	72.6	1.1	0.6
2.56	22	**Southeast Asia**	156.44	1.06	1.06	77.8	0.7	2.3
0.84	29	**CBN China 600** -c	27980.65	828.31	828.31	85.2	3.0	23.8
0.87	33	**Shanghai**	373.10	10.53	10.53	85.2	2.9	23.9
0.60	46	**Shenzhen**	403.02	13.19	13.19	105.6	3.4	29.9
2.21	19	**China Offshore 50**	4014.97	36.40	36.40	54.9	0.9	8.0
8.65	9	**Australia LPT** -c, d	1134.31	-0.37	-0.37	1.9	-0.0	-21.3
2.07%	15	**Islamic Market**	1977.73	10.52	10.52%	39.0%	0.5%	-1.3%
2.36	16	**Islamic Market 100**	2128.83	10.73	10.73	26.2	0.5	-2.1
9.74	14	**Bahrain**	120.85	0.35	0.35	-21.7	0.3	-13.0
2.82	33	**Kuwait**	195.90	-1.02	-1.02	-16.7	-0.5	-15.6
2.61	20	**Sustainability**	1010.52	5.02	5.02	35.5	0.5	-7.1
2.72	50	**Stoxx 600 -p**	269.64	2.69	2.69	34.2	1.0	-8.9
4.74	17	**Stoxx Select Div 30 -p**	1781.54	15.77	15.77	32.1	0.9	-21.2
3.98	23	**Euro Stoxx Sel Div 30 -p**	2117.96	21.83	21.83	32.7	1.0	-16.5
1.70	30	**DJ U.S. TSM**	11622.82	60.29	60.29	33.4	0.5	-6.4
5.23	12	**U.S. Select Dividend -d**	658.33	3.09	3.09	17.7	0.5	-9.5
4.37		**U.S. REIT**	149.62	1.69	1.69	28.5	1.1	-16.9
		DJ-UBS Commodity -p	138.03	0.73	0.73	24.4	0.5	-6.1

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET. Source: DowJones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$ 1.130	£ 0.626	C$ 1.050	YUAN 6.827	EURO 0.695	HK$ 7.756	RUPEE 46.510	RUPIAH 9475.08	YEN 91.195	NZ$ 1.416	WON 1175.07	RINGGIT 3.430	PH. PESO 46.510	S$ 1.408	S FRANC 1.036	TW$ 32.290	BAHT 33.335
Australia	0.885		0.554	0.929	6.041	0.615	6.863	41.157	8384.50	80.698	1.253	1039.82	3.035	41.157	1.246	0.917	28.573	29.498
Britain	1.596	1.804		1.676	10.899	1.109	12.381	74.249	15126.02	145.584	2.260	1875.89	5.476	74.249	2.247	1.654	51.548	53.216
Canada	0.952	1.076	0.597		6.502	0.661	7.386	44.293	9023.46	86.848	1.348	1119.07	3.267	44.293	1.341	0.986	30.751	31.746
China	0.1465	0.166	0.092	0.154		0.102	1.136	6.812	1387.84	13.358	0.207	172.12	0.502	6.812	0.206	0.152	4.730	4.883
Euro	1.440	1.627	0.902	1.512	9.829		11.166	66.960	13641.27	131.293	2.038	1691.75	4.938	66.960	2.027	1.491	46.488	47.992
Hong Kong	0.129	0.146	0.081	0.135	0.880	0.090		5.997	1221.70	11.759	0.183	151.51	0.442	5.997	0.181	0.134	4.163	4.298
India	0.0215	0.0243	0.0135	0.0226	0.1468	0.0149	0.1668		203.72	1.9608	0.0304	25.26	0.0737	1.0000	0.0303	0.0223	0.6943	0.7167
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0096	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.075	0.008	0.085	0.510	103.90		0.016	12.89	0.038	0.510	0.015	0.011	0.354	0.366
New Zealand	0.706	0.798	0.442	0.742	4.823	0.491	5.479	32.855	6693.20	64.420		830.07	2.423	32.855	0.994	0.732	22.810	23.548
South Korea	0.0009	0.0010	0.0005	0.0009	0.0058	0.0006	0.0066	0.0396	8.06	0.0776	0.0012		0.0029	0.0396	0.0012	0.0009	0.0275	0.0284
Malaysia	0.292	0.329	0.183	0.306	1.990	0.203	2.261	13.560	2762.41	26.587	0.413	342.59		13.560	0.410	0.302	9.414	9.719
Philippines	0.022	0.024	0.013	0.023	0.147	0.015	0.167	1.000	203.72	1.961	0.030	25.26	0.074		0.030	0.022	0.694	0.717
Singapore	0.710	0.803	0.445	0.746	4.850	0.493	5.510	33.042	6731.37	64.788	1.006	834.81	2.437	33.042		0.736	22.940	23.682
Switzerland	0.965	1.091	0.605	1.014	6.591	0.671	7.487	44.900	9147.16	88.039	1.367	1134.41	3.311	44.900	1.359		31.172	32.181
Taiwan	0.031	0.035	0.019	0.033	0.211	0.022	0.240	1.440	293.44	2.824	0.044	36.39	0.106	1.440	0.044	0.032		1.032
Thailand	0.030	0.034	0.019	0.031	0.205	0.021	0.233	1.395	284.24	2.736	0.042	35.25	0.103	1.395	0.042	0.031	0.969	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 25, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	299.64	0.56%	31.6%	36.2%
2.50	26	**World (Developed Markets)**	1,172.16	0.50	27.4	31.3
1.90	124	**World Small Cap**	191.06	0.40	42.4	50.7
2.60	22	**Kokusai (World ex-Japan)**	1,161.10	0.45	30.1	33.3
3.10	26	**EAFE**	1,574.59	0.43	27.2	34.8
2.20	20	**Emerging Markets (EM)**	973.86	0.98	71.7	84.8
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	406.91	1.09	64.5	78.9
2.10	25	**AC Far East ex-Japan**	440.91	1.03	61.7	77.9
1.80	35	**Japan**	572.06	1.34	7.9	11.0
1.90	20	**China**	63.55	1.04	55.8	72.1
0.90	39	**China A (China Domestic)**	3,259.97	3.08	88.0	87.5
2.60	23	**Hong Kong**	9,996.09	0.47	52.5	58.2
1.00	21	**India**	705.33	0.71	91.0	103.7
1.10	24	**Korea**	479.75	1.19	56.3	60.6
2.40	21	**Malaysia**	467.02	0.37	45.4	47.2
3.10	17	**Singapore**	1,587.84	-0.06	59.3	61.4
2.70	315	**Taiwan**	288.39	0.91	66.3	72.2
3.10	20	**Thailand**	297.58	-0.41	60.8	79.3
4.00	25	**Australia**	984.96	1.08	28.7	27.6
5.30	16	**New Zealand**	86.43	-0.42	13.8	11.5
1.90	32	**US BROAD MARKET**	1,250.64	0.52	27.3	29.3
3.40	17	**EUROPE**	87.63	0.01	26.2	21.2

*Twenty-three developed and 26 emerging markets Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Sunday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

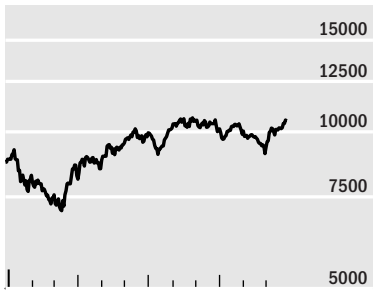
WSJ.com

Follow the markets throughout the day, with updated stock quotes, news and commentary at **WSJ.com.**.
Also, receive emails that summarize the day's trading in Europe and Asia.
To sign up, go to **WSJ.com/Email**

Asian index movers...

Nikkei Stock Average
Japan 10494.71
▲ **0.40% or 42.21**

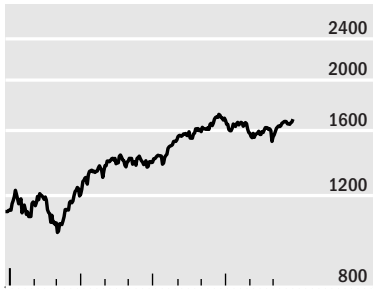
Japanese stocks fell Friday as exporters such as Toyota Motor and Canon gave in to profit-taking after leading the market higher. Volume was light due to Christmas.



Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**81.58**	171	–4	–2.29
Mtshbsh Fin Grp	**68.67**	461	–5	–1.07
Hitachi	**33.85**	273	–1	–0.36
GS Yuasa	**23.04**	703	8	1.15
Sanyo Elec	**22.81**	171	1	0.59

Kospi
South Korea 1682.34
▲ **1.26% or 20.99**

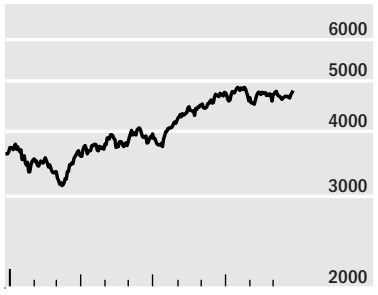
Large-cap stocks led the index to its highest close since Sept. 29 on Thursday amid hopes for the global economy and earnings. Shares rose 2.1% for the week.



Stock	Volume in millions	Thursday	Change Net	Change %
Korea Data Sys	**48.56**	190.00	–15.00	–7.32
Optimus	**18.45**	115.00	–20.00	–14.81
On Media	**15.58**	4,495.00	585.00	14.96
Kco Energy	**12.15**	440.00	–40.00	–8.33
Rnl Bio	**6.07**	4,610.00	275.00	6.34

ASX 200
Australia 4790.85
▲ **1.09% or 51.51**

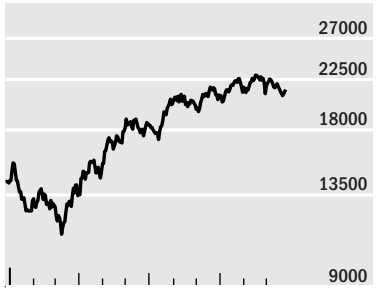
The index gained 3% for the week in pre-Christmas trading, its best week since the week ended Oct. 9. ANZ Banking and Westpac rose Thursday as banks surged.



Stock	Volume in millions	Thursday	Change Net	Change %
Boart Longyear	**27.53**	0.36	0.02	4.41
GPT Group	**22.47**	0.59	–0.01	–1.68
Ing Industrial	**19.48**	0.48	0.01	1.05
MacquarieOffTrust	**13.36**	0.31	0.01	3.33
Macq Infrstrct	**13.01**	1.32	0.02	1.54

Hang Seng
Hong Kong 21517.00
▲ **0.88% or 188.26**

Local property firms led shares higher in a shortened preholiday session Thursday ahead of a government land auction Monday. The index ended the week 1.6% higher.

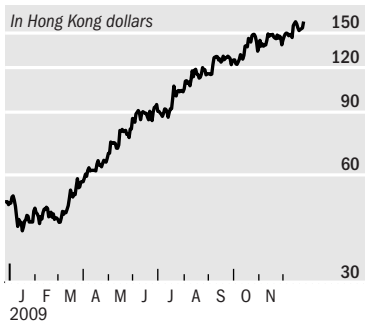


Stock	Volume in millions	Thursday	Change Net	Change %
CCB	**132.09**	6.62	0.11	1.69
Bank Of China	**125.70**	4.20	0.02	0.48
Icbc	**91.63**	6.41	0.04	0.63
ChinaPetroChem	**58.24**	6.80	0.09	1.34
PetroChina	**43.93**	9.29	0.18	1.98

Asian stocks in the news

Tencent Hldgs
Hong Kong HK$161.60
▲ **4.3% or HK$6.60**

The Internet concern rose for the fourth consecutive trading day, gaining 6% for the week.



	Price-to-earnings ratio			**57**
	Earnings per share, past four quarters			**2.85**
	Dividend yield			**0.2**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology		**1.7%**	3.8%	71.4%
Tencent Hldgs		**4.3%**	4.2%	224.2%

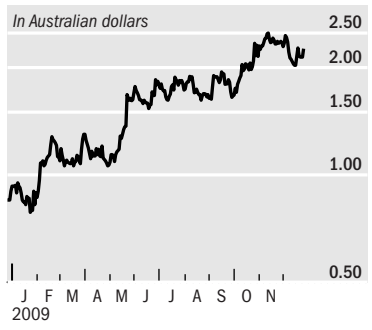
Boart Longyear
Australia A$0.36
▲ **4.4% or A$0.02**

The firm's shares rose amid strength in the mining sector, one of the industries it serves.

	Price-to-earnings ratio			**5**
	Earnings per share, past four quarters			**0.07**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas		**1.3%**	2.6%	56.4%
Boart Longyear		**4.4%**	4.4%	131.6%

Centamin Egypt
Australia A$2.26
▲ **5.6% or A$0.12**

The gold-mining group's shares advanced in an overall higher market.



	Price-to-earnings ratio			
	Earnings per share, past four quarters			**-0.03**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**1.7%**	1.8%	72.3%
Centamin Egypt		**5.6%**	-0.4%	175.6%

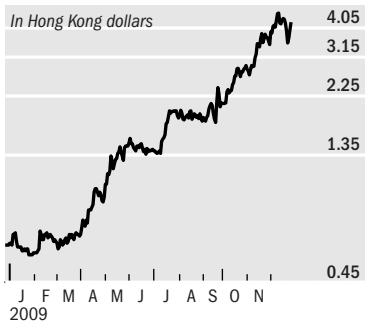
Elpida Memory Inc.
Japan ¥1,481
▲ **6.8% or ¥94**

Profits at U.S. chip maker Micron Technology Thursday confirmed solid global demand for DRAM chips.

	Price-to-earnings ratio			**-30.50**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology		**1.7%**	3.8%	71.4%
Elpida Memory Inc.		**6.8%**	13.0%	197.4%

Geely Automobile Hldgs
Hong Kong HK$4.26
▲ **7.0% or HK$0.28**

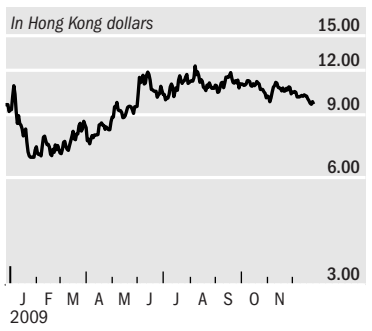
The company's corporate parent is near a deal to buy the Volvo brand from Ford Motor.



	Price-to-earnings ratio			**19**
	Earnings per share, past four quarters			**0.22**
	Dividend yield			**0.4**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts		**1.7%**	1.8%	68.3%
Geely Automobile Hldgs		**7.0%**	0.9%	576.2%

China Unicom
Hong Kong HK$9.64
▼ **1.6% or HK$0.16**

Shares fell after advancing earlier in the week on news the firm added new 3G users in November.



	Price-to-earnings ratio			**7**
	Earnings per share, past four quarters			**1.32**
	Dividend yield			**2.4**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Telecommunications		**0.3%**	-1.2%	-3.0%
China Unicom		**-1.6%**	-3.4%	-2.1%

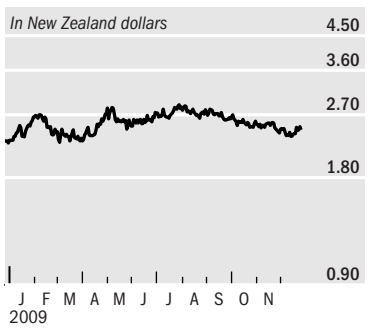
Foxconn Intl
Hong Kong HK$8.34
▼ **2.0% or HK$0.17**

The handset maker slid, after jumping in previous trading as regional tech plays attracted interest.

	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-0.04**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology		**1.7%**	3.8%	71.4%
Foxconn Intl		**-2.0%**	11.5%	240.4%

Telecom of NZ
New Zealand NZD2.45
▼ **2.0% or NZD0.05**

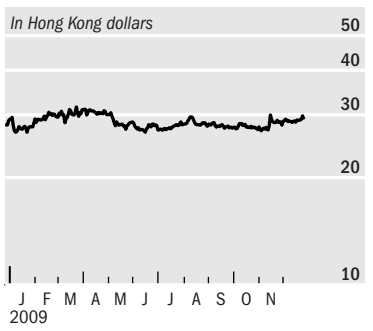
The bellwether slipped amid light trading in the firm's shares.



	Price-to-earnings ratio			**11**
	Earnings per share, past four quarters			**0.22**
	Dividend yield			**9.8**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Telecommunications		**0.3%**	-1.2%	-3.0%
Telecom of NZ		**-2.0%**	2.5%	8.4%

Cheung Kong Infr Hldgs
Hong Kong HK$29.10
▼ **2.3% or HK$0.70**

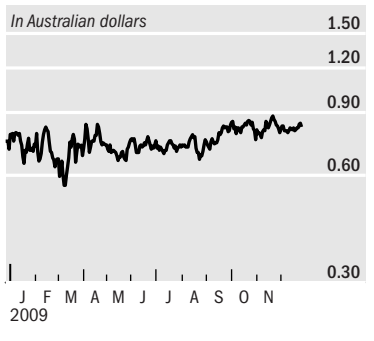
The company's shares declined in an overall higher Hong Kong market.



	Price-to-earnings ratio			**11**
	Earnings per share, past four quarters			**2.65**
	Dividend yield			**4.0**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Constructn & Matl		**0.9%**	1.2%	31.6%
Cheung Kong Infr Hldgs		**-2.3%**	0.7%	4.3%

Dexus Property
Australia A$0.82
▼ **2.4% or A$0.02**

The firm said it completed the sale of around $177 million of U.S. property assets.



	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-0.39**
	Dividend yield			**3.2**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**0.2%**	-0.7%	36.8%
Dexus Property		**-2.4%**	1.9%	7.6%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Toasting China's consumers

Investors looking to hitch a ride on growth in Chinese consumer spending should try an unlikely vehicle—wine.

The popular Western tipple remains marginal when it comes to Chinese drinking habits. But wine still may be a good investment. Beverage consumption is rising rapidly among the Chinese, with the alcohol market expanding 22% in 2009 versus last year. That makes wine attractive even if it just keeps pace with other drinks. And if the economic recovery continues, wine is likely to become more popular, particularly among the growing urban middle class.

Who stands to gain most from this trend? French wine exporters are already rubbing their hands at the quickening of a new market. The popularity of red Bordeaux wine in particular led to a near 15-fold increase in wine imports to China from France between 2002 and 2008; China is now the eighth-largest importer of Bordeaux globally.

Mellow reds

Imports of wine into China by country, 2008 (by volume):

Source: Access Asia

A waiter serves Beaujolais nouveau in Shanghai.

Agence France-Presse/Getty Images

But there are local Chinese players that have managed to take advantage and increase their market share in the past few years, even as foreign wine imports have gained traction. In particular: **Yantai Changyu Pioneer Wine**, the leading listed Chinese wine maker. Its share of the Chinese wine market by revenue had grown to 12.5% by the end of 2008 from 11.3% in 2005.

Holding, or even boosting, its share in an expanding market should assure Changyu of a strong future. Morgan Stanley analysts include the stock as one of a basket of Chinese companies it expects to benefit from the growth of Chinese household spending.

Also, Chinese consumers seem prepared to pay more for wine. In 2003, 96% of wine sold was priced below $5 a bottle; this year, 23% of wine sales have been in the $5- to $10-per-bottle range. Meanwhile, Changyu's net profit margins have climbed steadily, up to 25.9% in 2008 from 17.3% in 2005.

Trading at 25.8 times forward earnings, Changyu already has a lot of good news priced in. But the stock is still less expensive than that of other alcoholic-drinks companies making more traditional Chinese drinks.

For investors wanting exposure to the Chinese consumer, betting that a segment of drinkers Westernize their tastes as they become more affluent makes sense.

—Andrew Peaple

Wanted: more IPOs in Japan's markets

Running to stand still: That is the story of Japan's stock market when it comes to raising new money this year.

Equity issues, at $62.4 billion, were four times last year's total and the largest tally since 2006, Dealogic says. That is a big number. But rather than a sign of investor confidence, it reflects the pain inflicted on Japanese companies because of the economic downturn. The cash calls were mainly follow-on offerings to refinance companies, particularly in the electronics and banking sectors. Initial public offerings, in contrast, virtually came to a halt.

With only 20 firms going public, IPOs slid to a record low, down 55% to $578 million, Dealogic says.

That means companies with growth potential—something Japan needs to create for new industries, jobs and taxpayers—weren't getting capital. It also means the small number of venture capitalists were unable to use IPOs to cash out of their investments.

The checkered past of Japanese IPOs also is still catching up.

Investors have deserted markets like the **Tokyo Stock Exchange**'s Mothers (market for high-growth and emerging stocks), which was set up for smaller companies to list, because of scandals that have followed listings.

Investors need signs of a healthier flow of new issues and an indication of a concrete strategy behind the follow-on issues, among other things. Then, they can start to believe that the Tokyo market has regained its poise.

—James Simms

Permanent backstop would mean permanent risk

Imagine your delight if the government was prepared to guarantee all your debts. That is more or less what U.S. politicians are offering banks in legislation designed to fix the financial sector.

That lawmakers are pushing a debt backstop, despite the moral-hazard risk, shows their concerns about the ability of banks to borrow through an economic downturn. That is understandable. In the latest crisis, many firms could have failed without the Federal Reserve's emergency credit lines and the Federal Deposit Insurance Corp.'s Temporary Liquidity Guarantee Program.

Even so, the backstop offer takes the system in the wrong direction. What is needed are changes that make bank funding safer and protect the taxpayer, not put them on the hook.

Regulators may feel they need this backstop because they now oversee a higher number of large firms that borrow heavily in the market to fund investment-bank operations. Indeed, experience in Japan shows that a banking sector is safer if deposits are the predominant source of funding. In the mid-1990s, total Japanese bank loans were 25% higher than deposits, according to figures from Pali Capital. That gap had to be filled with market borrowing. Now, loans are 22% lower than deposits. Granted, this low loan-to-deposit ratio partly exists because Japanese banks are reluctant to lend. But it meant they were liquid going into the latest crisis—and thus didn't destabilize their system.

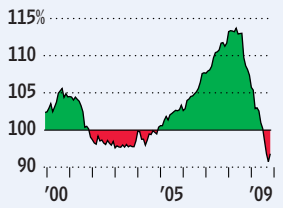
One way to tackle the funding problem would be to remove all government protection from bank businesses that aren't mostly deposit-funded. The market would likely become wary of funding wholesale-funded businesses, forcing universal banks to shrink such operations to less systemically risky levels or sell them.

Instead, the nation's representatives prefer to embed the taxpayer as lender of last resort.

—Peter Eavis

Saving grace

Loan-to-deposit ratio at large U.S. banks



Source: U.S. Federal Reserve

Trade Up.

Dow Jones delivers institutional sales and trading professionals the information they need to trade more efficiently, productively and profitably.

Successful trading strategies depend upon access to the right information at the right time. Dow Jones consistently delivers breaking news from The Wall Street Journal first to Dow Jones Newswires, informing our own customers before anybody else.

By providing innovative, ultra-low-latency technology solutions and the world's most relied upon business news, Dow Jones enables institutional sales and trading professionals to make more rapid and targeted trading decisions.

It's time to trade up to the market-moving news that matters most, at the speed you need. To learn more about Dow Jones Solutions for Sales & Trading, call +61.2.8272.4600 or email us at **moreinfo.asiapacific@dowjones.com.**

© Copyright 2009 Dow Jones & Co., Inc. All rights reserved. 2WIAS2414

DOWJONES

Published by Dow Jones Publishing Company (Asia), Printed in Hong Kong by Superflag Advertising and Communication Limited, 8 Chun Ying Street, NT. Printed in Indonesia by PT Gramedia Printing Group, Jalan Palmerah Selatan 22-28, Jakarta 10270. Printed in Japan by Yomiuri Shimbun, 1-7-1, Otemachi, Chiyoda-ku, Tokyo 100-8055. Printed in Korea by JoongAng Ilbo, 7, Soonwha-Dong, Chung-Ku, Seoul 100-130. 1997 June 04 Registration no.: SeoulKA00020 (Daily Newspaper), Publisher/Editor/Printer: Song, PilHo. Printed in Malaysia by KHL Printing Co. Sdn. Bhd. (ROC No: 235060-A) Lot 10 & 12, Jalan Modal 23/2, Seksyen 23 Kawasan Mel Phase 8, 40000 Shah Alam, Selangor, Malaysia. Printed in Philippines by FEP Printing Corporation, 381 7 Mascardo St., Corner Metropolitan Ave., Pasong Tamo, Makati City. Printed in Singapore by KHL Printing Co. Pte Ltd., 57 Loyang Drive, Singapore 508968. Printed and distributed in Taiwan by The China Post, 8 Fu Shun Street, Taipei 104. Printed in Thailand by Nation Multimedia Group Public Co., Ltd., 1854 Bangna-Trad Road, (K.M. 4.5), Prakanong, Bangkok 10260. Published and printed on behalf of the Wall Street Journal India Publishing Pvt Ltd. 517B World Trade Centre, Barakhamba Lane, New Delhi 110001 by Mr Suman Dubey at A-8 Sector 7, Gautam Budh Nagar, Noida -201301 and PLOT No.EL208, TTC Industrial Area, Mahape, Navi Mumbai - 400710 (Maharashtra), India. Editor: Suman Dubey, phone: +91-1164620215. ACP no. F-2 (1/3) Press / 2009 FACSIMILE EDITION.